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ORGANIZED CRIME AND BANKING

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HEARING

BEFORE THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

HOUSE OF REPRESENTATIVES

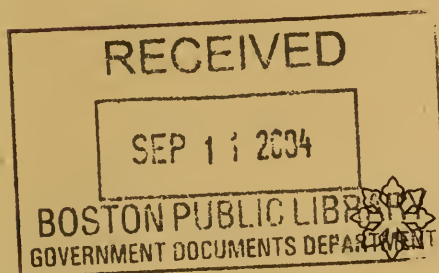
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

FEBRUARY 28, 1996

Printed for the use of the Committee on Banking and Financial Services

Serial No. 104-47



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ORGANIZED CRIME AND BANKING

WEDNESDAY, FEBRUARY 28, 1996

HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES
Washington, DC.

The committee met, pursuant to notice, in room 2128, Rayburn House Office Building, at 10:02 a.m., Hon. James A. Leach, [chairman of the committee] presiding.

Present: Chairman Leach, Representatives McCollum, Baker, Lazio, Campbell, Royce, Metcalf, Chrysler, Cremeans, Heineman, Watts, Kelly, Gonzalez, Vento, Flake, Waters, Orton, Maloney, Roybal-Allard, Velazquez, Fields, Hinchey, Bentsen and Jackson.

Chairman LEACH. The committee will proceed to the order of the day, which relates to hearings on a very important subject. The committee is meeting to review the threat organized criminal groups pose to the international banking system.

Rapid changes in technology, globalization of finance, and political problems in other countries have all put stresses on the international financial system. While electronic and international banking have provided consumers with more choices and more efficient markets, they have also made our financial institutions more vulnerable to fraudulent international schemes.

Organized crime groups, both in the United States and abroad, are engaged in money laundering, counterfeiting of U.S. currency, counterfeiting of fake financial documents, access device fraud, and financial extortion on a massive scale.

Yesterday, the General Oversight and Investigation Subcommittee, under the able leadership of Chairman Bachus, reviewed the threat international counterfeiting poses to the integrity of the U.S. currency. Today, we will focus on other financial crimes.

As the use of paper currency decreases and gives way to credit cards and electronic transfers, fraud associated with access devices become more troublesome. This includes the fraudulent use of credit cards or the fraudulent misuse of electronic banking systems. Last year, this concern was made real when the Nation's largest commercial bank, Citicorp, was electronically held up by international saboteurs. Jesse James may well have met his match. Approximately \$12 million was transferred, with \$400,000 withdrawn via Citicorp cash management systems, and the unauthorized transfers took place all over the globe, from Buenos Aires to the old Russian capital of St. Petersburg to Israel.

Given that Citicorp alone moves about \$500 billion per day, the potential risk to the banking system is clearly staggering. Currently, access device fraud costs financial institutions an estimated

\$4 billion annually. Nigerian criminal groups, for instance, reportedly account for more than \$2.5 million in credit card fraud a month in Dallas alone.

Another fraud being perpetrated by organized crime includes so-called "desktop publishing" of fake financial documents, sometimes referred to as "prime bank notes." Counterfeiting of corporate checks, bonds, securities, and other real or fictitious negotiable instruments are being produced to defraud individuals, pension companies, charities, and financial institutions.

Two years ago, Federal banking regulators issued a warning to the banking industry on the rise in phony prime bank note activity. Earlier this month, State banking regulators in the northeast issued another warning to their State banks, indicating that the threat continues.

Today, I will introduce legislation that will help law enforcement agencies combat the financial crimes of counterfeiting, access device fraud, and producing bank notes. The legislation will make it a Federal crime to pass off fake documents, such as prime bank notes. It will allow Federal law enforcement agencies to seize the equipment used in committing access device fraud, such as credit card embossers. And the bill will increase the penalty for counterfeiting to a maximum of 25 years imprisonment.

Probably the most pernicious crime affecting the banking system, however, is money laundering, which, according to some international experts, now approaches half-a-trillion dollars a year. Criminals have found that technological developments appear to have made it easier to launder their illegal gains. For instance, smugglers may no longer have to worry about getting cash-flow valises from Customs when they can electronically put thousands of dollars on stored-valued or Smart cards, no bigger than the average credit card.

With regard to money laundering, there is no shortage of domestic laws. Since 1986, major anti-money laundering legislation has been enacted in every Congress—from the Money Laundering Act of 1986, which fully criminalized money laundering, to the Anti-Drug Abuse Act of 1988, to the Depository Institution Money Laundering Amendment Act in 1990, to the Annunzio-Wylie Anti-Money Laundering Act of 1992, to the Money Laundering Suppression Act of 1994.

But despite increased criminal penalties and reporting requirements, criminal syndicates still have found ways to legitimize the proceeds from their illegal activities. Of special concern is the use of offshore corporations and banks to skirt tougher U.S. laws. One of the questions we'll be exploring today is what the U.S. Government is doing to counter money laundering overseas.

Let me just end with that and ask unanimous consent to put the rest of my statement in the record, and ask if any other members would wish to speak at this time.

[The prepared statement of Mr. Leach can be found on page 84 in the appendix.]

Mr. VENTO. Mr. Chairman, I commend you and subcommittee chairman Bachus for your initiatives on these hearings this week. The fact is that at the time that we're advocating and we see the evolution of the electronic funds transfer and other types of innova-

tions in terms of the financial transactions that take place in our society, it's a time when there is even greater risk to the consumers.

Clearly, as is evidenced by votes in this committee earlier this year, we intend to try to protect the consumers that are operating and functioning in a responsible manner with regards to the electronic transactions, as has been advocated since the late 1970's in terms of the Electronic Funds Transfer Act.

The fact is that the evolution of electronic funds transfer and wire payments and so forth is moving in a direction that frequently the banking and other laws have served us well and rules in the past are being eclipsed by such actions. This, also, I think, underlies the importance of sound regulation, not just with regards to financial institutions, but to all financial intermediaries and the need to have a seamless regulatory fashion in which there is coordination, consistency and common sense that governs such actions.

We have, of course, many aspects of our financial system, including the insurance and the solvency of institutions, and other factors that obviously concern us. There have recently been headlines that are being made this week concerning the tremendous impact of crime and drug use and financial transactions as a drain on our total economy.

So I would hope that we would pursue—and I understand from the fact that you're introducing legislation that it is your intention to continue to pursue a resolution and aggressive policy implementation with regards to some of these changes. But it's going to have to be something that we continue to work on so it does not spin—these policies and these reactions and actions do not spin out of control in terms of our economy or the financial institutions which we have relied on to, in fact, facilitate this process.

So I look forward to the hearing and to the continued work on this enormously important aspect of our economy and our financial future.

Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mr. Vento. Yes, Mr. McCollum.

Mr. MCCOLLUM. Thank you very much, Mr. Chairman. As you know, I wear two hats, vice chairman of this committee and also chairman of the Crime Subcommittee over in Judiciary. Having those two hats to wear, this is especially an important set of hearings that we're embarking upon today. I think that the question of what we do about crime in the world of finance is very much intertwined with the modern technology of today and the criminal mind that has gone into every aspect of how he or she can manage to take resources that belong to legitimate citizens and use them for their benefit.

In many cases, this today is international in nature, not just national. I think that the threat of international crime probably is not appreciated by most Americans to the degree that we should have it appreciated.

The truth is that it's incredible, powerful in its reach. The security of many countries is at stake, not to mention our own concern over the integrity of our banking system. We have had testimony before our subcommittee over in Judiciary on the issue of Russian

organized crime and understand from those hearings, from the FBI and others, that today we have an incredible amount of extortion that goes on in Russia that has spread to the United States, and that affects directly the banks in Russia and, through that process, also affects the international marketplace.

According to the National Strategy Information Center's 1993 report on international organized crime, there are three distinctive characteristics of these organizations in contrast with traditional criminal enterprises. First, international criminal organizations are designed to operate across international boundaries. The largest of these groups, such as the Colombian cartels, are structured in a fashion similar to any large multilayered global business.

Second, these organizations have established transnational links to other criminal groups, such as terrorists and drug trafficking organizations, allowing them to cooperate in specialized activities, such as money laundering and terrorist activities.

And, third, international criminal organizations are a significant threat to the authority of civil government and the stability of democratic financial, economic and legal institutions. Whereas traditional organized criminals, such as La Cosa Nostra, engaged in a wide range of criminal activities, they have not normally presented a challenge to political order.

So I think that these hearings today are exceedingly important and not just from the domestic standpoint, because having been an author of much of the money laundering legislation or a co-author of it that we are now dealing with, I'm interested in how that is working and how many of our other domestic side issues are going with respect to crimes in the financial services community. I'm very gravely concerned about the international implications and how that affects our banking system.

Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mr. McCollum.

Mr. VENTO. Mr. Chairman, I would ask unanimous consent to place in the record an article on a report on "60 Minutes" this past Sunday, in which a simple change of postal address resulted in a rip-off in Rochester, Minnesota. A woman's address was changed involuntarily to Brooklyn, New York. It just shows, I think, how simple and how profound the changes can occur in terms of the nature of our society. I would ask to put that article in the record.

Chairman LEACH. Without objection, so ordered.

Mr. VENTO. Thank you, Mr. Chairman.

[The information referred to can be found on page 317 in the appendix.]

Chairman LEACH. Yes, Mrs. Maloney.

Mrs. MALONEY. Thank you, Mr. Chairman. First of all, I would like to commend you on your legislative initiative and for holding this hearing. The kinds of financial fraud we're going to discuss today unfortunately affect every American. At the very least, each one of us pays an increased price on everything from credit cards to bank fees to make up for the dishonesty of those who don't play by the rules, and some citizens pay a much higher price.

New York City's own Queens District Attorney, Richard Brown, who will be testifying here later, has done a great deal in this area. His hard work resulted in the indictment of eight Nigerian nation-

als charged with running a multi-million dollar nationwide counterfeit credit card operation. The victims of this scheme had their identities stolen, their accounts plundered, and their credit ratings ruined. The scary thing is that this could happen to any of us, as Mr. Vento just pointed out. By some law enforcement estimates, this type of financial fraud alone is a \$1.5 billion underground business.

This is one of the reasons why my colleagues, Mr. Schumer and Mr. Vento, and I offered an amendment to strike language from the banking regulatory bill which would have both increased the maximum consumer liability from \$50 to \$100 on unauthorized ATM transfers, which are very easy to take place, as well as transferred the burden of proof to the customer on the issue of providing all relevant information relating to an unauthorized use.

With some of the examples of illegal access to financial information and even PIN numbers before us today, which we will be hearing, I'm pleased for the American consumer that our amendment passed this committee.

In the area of money laundering, I strongly supported the reduction in the number of currency transaction reports that banks must file. It's the quality, not the quantity of information we gather that is important. By blanketing every transaction over \$10,000 with a reporting requirement, resources were wasted by banks and the government alike. It makes no sense to make banks file new paperwork on every \$10,000 transaction of, say, a nationally reputable department store. Instead, know your customers' procedures, target limited resources at the problem by spending the time to verify a new account holder's business. A bank then has a standard of judgment to identify what would be a suspiciously high transaction for each particular customer.

In the near future, we are going to have a hearing on electronic benefits transfer technology, which could move government benefits, like social security and food stamps, from checks and coupons to electronic benefit and debit accounts. Next week, we have yet another in the series of hearings on the future of money. All these emerging possibilities of government and business will be asking consumers to place their trust in these new forms of currency. So as we move into this new era, we need to maintain, not weaken our consumer protections, find ways to make our new technology both protect privacy and increase access to new services, and work with business, regulatory and law enforcement to crack down hard on those who seek to defraud American consumers and business.

Finally, it's important to remember that these financial crimes are often vehicles for other criminal activities, whether tax evasion, illegal drugs, or even terrorism. As the President said last year, and I quote, "Criminal enterprises are moving vast sums of ill-gotten gains through the international financial system with absolute impunity. We must not allow them to wash the blood off profits from the sale of drugs, from terror, or organized crime."

The President underlines the need for more international cooperation of a type the Administration's financial crimes enforcement network is pursuing in cooperation with private industry and international regulators.

I hope this hearing today can provide us with some new insight and ideas to combat criminal activity aimed at our financial institutions.

Thank you, again, Mr. Chairman, for your legislative initiative.

Chairman LEACH. Thank you, Mrs. Maloney. Does anyone else wish to make a statement on our side?

Mr. ROYCE. Yes, Mr. Chairman, if I could.

Chairman LEACH. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman. In previous Congressional hearings, we've heard that in Russia alone, organized crime encompasses some 1,500 state enterprises, some 500 joint ventures, and 550 banks. From news reports and research done by various organizations, such as the American Foreign Policy Council, we know that the most rapid growth of organized crime in Russia is now within the financial and banking structure and it is being coordinated by former Soviet KGB operatives.

Indeed, according to party documents, in a 1992 Russian parliamentary investigation, the former Soviet First Chief Directorate, the KGB's foreign intelligence arm, was instrumental in setting up many banking institutions, which are now integrating themselves into the western banking system. A parliamentary investigative commission concluded that "The Politburo of the Communist Party of the Soviet Union Central Committee made several secret resolutions toward direct concealment in commercial structures of property and monetary resources actually accumulated at the expense of the nation. Based on this, at all levels of the Party hierarchy, there was a mass founding of party banks, joint enterprises, and joint stock companies in 1990 and 1991."

In fact, published reports in the Russian and western media say that 75 to 80 percent of all joint ventures with western companies founded between 1989 and 1991 involve officers of the KGB. With this type of KGB involvement, the Russian Mafiya has been provided with organizational expertise, professional intelligence techniques, and the manpower to carry out their illegal activities.

The professionalization of the Russian Mafiya poses new threats to U.S. and world financial markets. White collar crimes, counterfeiting, fraud, money laundering are the weapons of choice, with the money then being used to expand operations into violent crimes, such as drug smuggling, murder, extortion, and, most alarmingly, trafficking in arms and nuclear weapons-grade plutonium.

With ever-expanding increased computer access, with the new encryption decoding techniques that new technologies bring, it is hardly surprising to find that much organized crime today is being carried out through the computer. Offshore operations are being increasingly used to facilitate illegal activities of organizations not only in Russia, but in Africa, the Middle East and South America.

Information and testimony from previous hearings has shown that U.S. institutions, commercial accounts, municipalities, and even our country's defense and civil systems are vulnerable.

Now, the overriding question, that I hope will be addressed by each of our witnesses, remains what can we, as legislators, do to help? What can we do to provide our institutions and citizens with the capability to defend themselves against escalating cyber at-

tacks and punish those who would seek to conduct their criminal activities through financial systems?

Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mr. Royce. Mr. Fields, do you want to be recognized?

Mr. FIELDS. Mr. Chairman, I would simply request unanimous consent to have my statement entered into the record, as well as any other Member who wishes to have his or her statement entered into the record. I would like to commend you on this hearing today and commend your fine group of panelists, because I feel that this issue is certainly an issue that pours over into the illegal drug activity that we have in our country. So I thank the gentleman.

Chairman LEACH. Thank you, Mr. Fields. Without objection, so ordered.

Mr. Chrysler or Mr. Heineman. No statements. Thank you. Mr. Cremeans. No, fine.

Then we will turn to our panel. Let me introduce our panel, first. Our first witness will be Ms. JayEtta Hecker, Associate Director for International Trade, Finance and Competitiveness of the GAO; the Honorable Edward W. Kelley, Jr., Governor of the Federal Reserve Board; Mr. Stanley E. Morris, Director of the Financial Crimes Enforcement Network; Mr. Harold D. Wankel, Chief of Operations of the Drug Enforcement Administration; Robert Sims, Special Advisor on International Criminal Justice to the Assistant Secretary on International Narcotics and Law Enforcement Affairs of the Department of State.

We welcome you all. Before turning to Ms. Hecker, who is going to testify out of order, we're beginning with the Congressional representative first, which is somewhat unusual. I apologize to the other members of the panel, but we thought it would set a framework. In setting that framework, let me note that the GAO has presented a very thoughtful report on this subject which was requested by our distinguished colleague, Henry Gonzalez. I would urge members of the committee to review this report because it is a first class report.

Ms. Hecker.

STATEMENT OF JAYETTA HECKER, ASSOCIATE DIRECTOR FOR INTERNATIONAL RELATIONS AND TRADE ISSUES, GENERAL ACCOUNTING OFFICE

Ms. HECKER. Thank you, Mr. Chairman. We are very pleased to be here today. As you said, our work is based on a request by Mr. Gonzalez. I'm afraid, while we have briefed your staff, the work is not actually complete and this is our first report based on that work.

That request was to provide an overview or a framework of what U.S. efforts were overseas. The methodology that we used was to talk with foreign banks, foreign regulators, and law enforcement, both U.S. and foreign, about their experiences with this problem and their perceptions of the significance of the challenge.

My remarks today will cover five different areas. The first concerns the distinct European approaches and their experience with the "Know Your Customer" rule. The second is obstacles to U.S. bank regulators' examinations of overseas branches. The third is is-

sues regarding coordination of U.S. law enforcement efforts overseas. The fourth is U.S. participation in diverse international agreements to combat money laundering. And the final comment will be on the significant challenges, mentioned by several already, presented by wire transfers and correspondent banking.

As a background, though, before I begin, I think it might be useful to share with you the clear consensus that we heard among the more than 50 officials of banks and law enforcement and regulators that we met with that money laundering and the infiltration of financial institutions and the misuse of financial institutions is both a widespread and challenging problem.

I can perhaps characterize this with a quote from one law enforcement official, a central unit, that said "No one in the world can say they have control over money laundering. No one country has come up with a solution to the problem." Thus, while many countries share a very serious commitment to overcoming the problem and have devoted substantial resources to it, they admit they remain vulnerable to being used for money laundering.

I think this is well supported by a State Department report that Mr. Sims may cover. In the last report that was issued in March 1995, four of the five countries we visited, the United Kingdom, Switzerland, Germany and Italy were listed in the highest category of risk as vulnerable to money laundering. I might say that they were in the same risk category as some countries long considered real risks, such as the Cayman Islands, Colombia, Panama, Nigeria, and Mexico.

But to keep it in perspective, perhaps we should recognize that this report itself highlights the special challenges in the United States. In fact, the report notes, and this is a quote from the State Department report, "The U.S. financial system continues to be exploited at levels probably not approached by any other country." So clearly there's a consensus that it is a problem. It's a problem in major European countries and not just small island countries who are traditionally noted for this. And most notable of all, it remains a very serious problem in our own country, despite very serious and committed efforts to try to combat the problem.

Another precursor before I turn to the five points is to try to comment on your focus today, that is on links to organized crime. I can report that virtually all the law enforcement officials we talked with commented on the growing problems associated with organized crime in Russia, Italy, Colombia, and, perhaps most significantly, increased cooperation between them. For example, we heard about the ongoing efforts of organized crime groups to cooperate on different ways to split up the focus of organized crime activities in different markets rather than having them compete with each other. They are functioning, as cartels do, dividing up the market.

We didn't hear a lot that confirmed your specific focus here on infiltration by these organized crime elements to control banking institutions. Certainly, there is acknowledgement that their money is going into financial institutions, and that's the money laundering aspect we have been focusing on, as distinct from your more significant focus on the issue of infiltration.

The first comment I have today is about the European approach. I think what we should note here is that the Europeans have a

longer and very serious commitment to the "Know Your Customer" principle as the linchpin of their operation. And most countries, who are very proud of this, believe they have a very well-focused effort. They don't believe it's fully effective, but they contrast their approach with the burdensome CTR reporting that has been the traditional mainstay of the U.S. approach, and they think they have a very focused responsibility put on bankers to make judgments.

I think one interesting example that was shared, and this was by an investment banker, actually a branch of a U.S. investment bank, concerned the challenge of doing business with Russian clients. Some said it was so hopeless that they gave up. But this firm said there's too much business there and there's got to be some legitimate businesses, things being produced there, and we don't want to refuse to deal with valid businessmen. What they actually did was contract a \$15,000 study to verify the business of the new client. They reported that this approach isn't unusual before they accept the business of a Russian client. They went to Russia, looked at the business, verified the nature of the operations. They note this approach is necessitated because in Russia, they simply didn't have any forms they could rely on, such as SEC filings or anything that they could consider valid, and that was the measure they took of their due diligence to "Know Your Customer."

Now, I think an interesting contrast that we have is that we also visited Hungary and Poland. There we found new units devoted to the regulation of the banking sector and each country had recently adopted, in full, the EU directive on money laundering, making it a crime, and had appropriate laws in place. However, these officials acknowledged that their implementation of the money-laundering directive is far more limited. They acknowledge that officials in their banks accept very limited identification to open accounts to meet their obligation to "Know Your Customer." The clients basically fill out a card and give their name and address and passport number and some documentation that they're a business. This is an interesting contrast.

Chairman LEACH. If I could interrupt just for a second, Ms. Hecker. We're going to have a large number of witnesses today, and so we're trying to ask people to summarize in 5 or 6 minutes. So if I could give you another minute or so, is that possible?

Ms. HECKER. Absolutely.

Chairman LEACH. Fair enough.

Ms. HECKER. What I would say is that this approach is something we can learn from. The second issue of the bank regulators' examination is that Federal regulators, and you'll hear this from Governor Kelley, face special challenges overseas. They don't have the same access. They work to overcome this, but in a lot of countries, they really cannot get in and do the same thorough examination. The Fed has some new guidelines and I think that may represent an important step forward.

In coordination of law enforcement, there were basic questions raised about the multiplicity of agencies and concern about the lack of coordination among them. We learned about an MOU that the agencies themselves had put in place, but there's a lot of frustration among foreign law enforcement dealing with the multiplicity

of U.S. agencies. But there is tremendous respect worldwide and among everyone we spoke with, that U.S. law enforcement is in the lead, better understands the principles, as well as the leadership of FinCEN, understanding the complex nature of the multiple channels used to launder money, and that it takes a constant effort to stay ahead of that. So there is real respect, but also frustration in dealing with the multiple agencies we have involved.

The next point was our participation in international agreements. The FATF is a very important initiative that you'll want to learn more about, how successful it has been, what its operations are. It basically sets a floor for countries to implement core regulations and laws. They have an important process of peer review to try to encourage countries to move forward. That's an important initiative and I think Mr. Morris will outline a number of others. The key issue there is how coordinated they are, whether they really add up to an effective strategy.

The final area is the special challenges presented by wire transfers, and that is well known. I think the Fed is trying to work to improve some of its efforts in that area. FinCEN is also active worldwide in trying to educate and set up units and improve the knowledge and focus on this. But it's recognized by almost all of the people we spoke with as a weak link in the chain.

So that completes the overview and I apologize for going over the time.

[The prepared statement of Ms. JayEtta Hecker can be found on page 94 in the appendix.]

Chairman LEACH. Thank you, Ms. Hecker. Governor Kelley, we welcome you back to the committee. You have now become a particularly senior governor.

STATEMENT OF HON. EDWARD W. KELLEY, JR., MEMBER BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM

Mr. KELLEY. Thank you, sir. I will deliver a somewhat shortened version of my testimony.

Chairman LEACH. Maybe better, I should say, a higher percentage of the board governor.

Mr. KELLEY. Yes. I hope that that percentage will go down soon. I would request, sir, that my full statement be included in the record.

Chairman LEACH. Without objection, of course. Without objection, all the statements will be put in the record.

Mr. KELLEY. Thank you. Mr. Chairman, I am pleased to appear before the committee on behalf of the Federal Reserve. The Board places a high priority on providing assistance in deterring, detecting, and reporting criminal activities directed at banking organizations, and we appreciate the committee's interest in this important area. I have been asked to address the threat that criminal activity poses to the banking system and I'd like to turn initially to that.

While all bank losses that result from criminal activities are completely unacceptable, it is important to put the risks associated with criminal activity in the proper context. As of September 30 of 1995, over 10,000 insured commercial banks in the United States had aggregate assets of about \$4.2 trillion, with capital of about

\$350 billion and earnings in the first three quarters of about \$37 billion.

In assessing the current financial strength of the U.S. banking system and estimates of the extent of banks' losses resulting from criminal misconduct, which include the banking industry's 1994 estimates of \$800 million associated with check fraud and \$700 million associated with credit card fraud, we believe that losses from criminal activities do not pose a systemic risk to the banking system. Let me add, we also have no information that suggests that any individual U.S. banking organization has been overtaken or substantially threatened by criminal organizations or activities.

While we see no systemic threat to the banking system, we're obviously concerned about the risks to the reputation and integrity of our Nation's banks arising from criminal elements using the bank system for their illicit purposes. These risks are best illustrated by money laundering, estimates of which range between \$300-\$500 billion annually. There is no evidence that the flow of these funds through U.S. banks, on their own, in the limited sense of the term, pose a systemic risk.

However, if left unchecked, clearly, such use of our banking system could undermine the reputation of banks or weaken the public's confidence in banks as safe-keepers of their funds.

So what does the Fed do to combat this important threat? The Federal Reserve has an important role in ensuring that criminal activity does not pose a systemic threat and, also, in improving the ability of banks to protect themselves from illicit activities. A bank's best protection is its own policies and procedures designed to identify and then reject potentially illegal or damaging transactions. For this reason, the Federal Reserve and other regulators have implemented various directives, controls and procedures designed to detect unusual or suspicious transactions.

Examiners evaluate the effectiveness of a banking organization's controls and procedures and have comprehensive training and information to assist them in identifying suspicious and unusual transactions. But I do need to emphasize, however, that we do not expect our examiners to act as police. The Federal Reserve is a bank supervisory agency, not a criminal law enforcement authority. We see our role as auxiliary to the legitimate law enforcement duties of the criminal justice agencies.

The Board believes that as a safety and soundness matter, banking organizations should work to protect themselves from criminal transactions through "Know Your Customer" policies and procedures. Such procedures will allow an organization to identify their customers and the transactions they conduct on a regular basis and be alert for unusual or abnormal transactions.

One of the more significant components of this process is identification and reporting of suspicious and potentially criminal activities. To both reduce the reporting burden and increase the usefulness, the Federal Reserve has worked with the other bank supervisory agencies and the Treasury to revise the criminal referral process in several significant respects, and I will be happy to go into that, if you'd like, later.

Over the years, the Federal Reserve has taken the initiative to provide timely and useful information to banking organizations

with regard to ongoing criminal conduct. For example, the Federal Reserve and the other banking supervisory agencies have issued bulletins on such matters as prime bank fraud schemes and credit card fraud. The recent policy of urging banks to monitor so called "payable through" accounts is another example of our efforts in that area.

The Federal Reserve does continue to work diligently to address money laundering matters. Fed staff has provided training in anti-money laundering procedures, both domestically and to foreign governments. We chaired a working group that developed enhanced Bank Secrecy Act examination procedures and, of course, we routinely coordinate with Federal law enforcement agencies.

The Fed is a founding member of the Bank Fraud Working Group, which consists of representatives of 13 Federal law enforcement and bank agencies, and the Federal Reserve is also an active participant in the Financial Action Task Force, which was established by the G-7 group of countries and whose mission is educating countries around the world on anti-money laundering and fraud prevention efforts.

Because of our work with bank supervisors and law enforcement authorities, we recognize that crime is an international activity and that criminals do make use of offshore corporations and banks. These should be seen as two separate problems that we address in different manners.

Because the Fed cannot control a sovereign nation's laws governing the establishment of corporations in its territories, we can only address the activities of questionable offshore companies when they seek to do business in the United States through banks we supervise, and here the principal tool is the "Know Your Customer" policy.

No regulator or law enforcement agency can possibly monitor every transaction. There were, for instance, 76 million Fedwire transactions, involving \$223 trillion, in 1995. However, we can and routinely do measure the internal controls and risk management systems implemented by banks to make certain that they are, in fact, adhering to their own policies. With regard to foreign banks, the Board, since it was given power by the Congress in 1991, carefully scrutinizes any foreign bank seeking to do business in the United States. This includes making certain that the bank is subject to comprehensive consolidated supervision in its home country and a review of its global anti-money laundering procedures. The Fed is also working in a number of areas to improve bank supervisory standards in other banking centers.

In conclusion, Mr. Chairman, while we do not see crime as posing a systemic threat to the banking system, we have and will continue to undertake extensive efforts to combat illegal activities involving domestic and international banking organizations.

Because we have a vital interest in maintaining the reputation and integrity of our banking system, and in aiding in the enforcement of our Nation's laws, we will be continuing our cooperative efforts with other bank supervisors and the criminal justice agencies to develop and implement programs to better detect criminal misconduct involving banks.

Again, sir, we appreciate the committee's interest in this most important topic and I'll be happy to attempt to respond to any questions you may have. Thank you.

[The prepared statement of Hon. Edward W. Kelley can be found on page 110 in the appendix.]

Chairman LEACH. Thank you, Governor Kelley. Mr. Morris.

STATEMENT OF STANLEY E. MORRIS, DIRECTOR, FINANCIAL CRIMES ENFORCEMENT NETWORK

Mr. MORRIS. Thank you, Mr. Chairman, members of the committee. It's an honor to be here today and the subject of this hearing is both a timely and an important one.

The Financial Crimes Enforcement Network, or FinCEN, is responsible for implementing the Treasury's policies to prevent and detect money laundering. We provide analytic case support to many Federal agencies, including the Secret Service, IRS' Criminal Investigative Division, the Customs Service, the Postal Inspection Service, the FBI, and DEA. These are some of our most significant investigators in this area.

We also administer the Bank Secrecy Act, which is a key component of our efforts to combat money laundering. As the chairman said in his opening remarks, this committee has given us very strong and powerful money laundering tools over the years and we are using these tools to build effective counter-money-laundering policies, which is the subject of today's hearing.

We all know, of course, that the threat of organized crime, both domestically and internationally, exists. This morning, I'd like to look to the future. Transnational crime and money laundering are going to continue to be a challenge to law enforcement agencies around the world, and we must respond. I believe the United States is taking important first steps toward doing just that. One part of that response must be the recognition that Federal law enforcement cannot do the job alone. We must team up with our partners, the State and local authorities, the bank supervisors, as well as the financial services sector, and, most importantly, as Mr. McCollum said, we must network globally.

The past decade has brought unprecedented changes to the world's economy and the structures of government. These developments are also augmented by rapid advancements in technologies that have revolutionized our methods of commerce, as well as our capacity to communicate.

For example, a decade ago, daily trading in currencies was approaching the sum of \$200 billion. Today, it is more than \$1.25 trillion a day, one hundred times the volume of world trade. Cross-border capital flows have exploded during that same period.

In this environment, finding illegal activity and dirty money is ever more difficult. Clearly, there are new opportunities for criminals to exploit the revolutionary changes that are occurring in our world's financial systems. And because of the evolving world environment, governments are changing the way they look at criminal activity, economic development, and foreign trade.

Traditionally, governments, ours and others, have compartmentalized their strategies for dealing with these subjects. Criminal activity was the domain of law enforcement. Economic development

and banking were the mission of finance ministries. Foreign trade was the realm of foreign affairs offices and trade ministries. The private financial systems were just that—separate and apart from the governments.

However, as commerce has globalized, so has crime. Consequently, governments have come to recognize that they can no longer compartmentalize their response to criminal, economic, and trade issues. This panel and subsequent panels in today's hearing, I think, are a clear recognition of that fact.

This is what we have been forced to do, for example, even within my own organization, FinCEN. Just as we have moved to build partnerships with the American banking industry, so, too, have we recognized the need to build transnational partnerships through bilateral and multilateral initiatives.

Let me outline five major initiatives which illustrate how the United States is trying to rise to the challenge of dramatic change in the globalized world economy. As Congresswoman Maloney pointed out in her opening remarks, at the 50th anniversary of the United Nations, just 4 months ago, President Clinton outlined his initiatives to combat transnational crime, including drug trafficking, arms smuggling and terrorism. The President is assigning a very high priority to negotiating agreements with those nations who are out of compliance with international standards. FinCEN is coordinating this initiative in close cooperation with the law enforcement agencies of Treasury and Justice, as well as with the bank regulatory agencies and the intelligence community.

Just a couple of months ago, Secretary Rubin hosted a conference, a meeting in Buenos Aires, on the first and second of December. The purpose of the conference was to fulfill the directives set in the Summit of the Americas in Miami to provide effective detection, prevention and investigation of money laundering.

The heads of delegation in attendance represented the leaders of Interior, Justice, finance ministers, and central banks. The conference produced an accord, which marks a vital first step in domestic and international efforts, to track the proceeds of illicit activities and impede criminals from developing the wealth from their activities that gives them the power to undermine the fragile democracies in our hemisphere.

As Ms. Hecker said, another multinational effort is the Financial Action Task Force, which was established at the direction of the G-7 nations in 1989. It is composed of 26 countries, plus the EU and the Gulf Cooperation Council. Its purpose is to set a standard in the world which all countries should attempt to meet. We have worked diligently to increase the global awareness of money laundering through that program.

This year, the United States is serving as the chairman of the Financial Action Task Force, examining some of the issues and trying to come up with new recommendations that this committee will be discussing today. We are having some effect. Even small countries, such as Slovenia and the Czech Republic, have enacted or have just recently enacted anti-money-laundering legislation.

In the area of technology, policing a society in the throws of fundamental change means putting change at the top of the agenda. The computer lab and squad room may seem worlds apart, but

they are not. The changing financial world creates vast opportunities for criminals. Technology is a critical part of this trend.

Any individual, using a relatively inexpensive computer and a common telephone line, can move enormous amounts of data around the world at nearly the speed of light and hide data in ways which even a skilled professional cannot detect. New cyberpayment systems are coming on-line, some designed by brilliant entrepreneurs who know technology, but who do not even come from the financial world. We will need partnerships with these industries.

This committee has provided real leadership in that area and many of us were at hearings here just a few months ago discussing that subject.

Last September, FinCEN hosted a day-long colloquium at NYU's School of Law to discuss the implications of these technologies, and a partnership effort. In attendance were bank regulators, credit card companies, CEOs, both from the United States and Europe, as well as academics and prosecutors who shared their views. They tried to bridge the chasm, the professional different viewpoints that exist in this area.

Another example of partnership is the suspicious activity reporting system that was mentioned by Mr. Kelley. Three weeks ago, we turned the switch, implementing the new national system which will be administered by FinCEN, but in a unique partnership with all of our Federal law enforcement agencies, the Federal Reserve Board, who played a major role in developing this, and the other bank regulatory agencies.

In the context of technology, of keeping up with the criminals, this new system will significantly improve our ability to detect criminal financial activity, to assure that information about that activity gets to the proper law enforcement and regulatory authorities, and to gain a broader strategic understanding of the national and global implications of attempts by international organized crime to subvert our banking system.

One result of the efforts I have described above has been that criminals can no longer rely on traditional means of laundering their money. Traditional avenues are being closed off. And because of efforts like the Financial Action Task Force and Summit of the Americas and the initiatives by our law enforcement agencies, criminals must take greater risks to exploit the financial systems. This makes them more vulnerable to detection.

The Customs Service indicates that currency smuggling out of the country is up. Many criminal organizations are desperate to move their cash out of the country because it is too risky to launder it here. Presently, the safest way for criminals to repatriate criminal proceeds to Colombia is to sell their U.S. dollars to Colombian businesses. This procedure of hiding their money is complicated, involves many steps, is expensive, and makes them vulnerable to detection. According to reports, the cost of laundering in criminal organizations has risen from 6 percent in the mid-1980's to as much as 20 percent today. We are affecting organized crime's day-to-day laundering operations, but much more, of course, needs to be done.

The new era is altering the roles of law enforcement, central banks, and financial institutions. Technology makes the globalization process irreversible. Change is our challenge. Secretary

Rubin has been leading the Treasury campaign to break out of the molds to meet that challenge. Transnational organized crime is already exploiting change with the fading of national boundaries. Together we must send a clear message that money laundering will not be tolerated in the world economy.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stanley Morris can be found on page 123 in the appendix.]

Chairman LEACH. Thank you, Mr. Morris. Mr. Wankel.

STATEMENT OF HAROLD D. WANKEL, CHIEF OF OPERATIONS, DRUG ENFORCEMENT AGENCY

Mr. WANKEL. Thank you, Mr. Chairman and members of the committee. I am pleased to be here today. I'm going to digress from my prepared remarks, because my esteemed colleague, Mr. Morris, has said much of what I needed to say, I think, anyway. In the interest of time, let me just make a few comments here. You have the prepared statement of the Drug Enforcement Administration.

This is truly a global problem of serious magnitude, as, Mr. Chairman, you and members of your committee have spoken to as we opened this session this morning. It will continue to grow and will be a problem. I would submit to you that the monies and the attendant corruption attached to this business of the money laundering and the international crime, transnational crime, does have the potential to destabilize or at least negatively impact banking, to destabilize economies, and to destabilize governments.

It is going to be critical that we all work, within this government and with other governments, to ensure that we have, in addition to a stated commitment, a demonstrated commitment on the part of our allies and our partners to move into the enactment of legislation, the implementation of legislation, and move forward on this program. This will require training on our part, obviously, and, also, entering into mutual legal assistance treaties.

I would mention that these adversaries, whether they are international drug criminals that we see in the Cali Mafia or the Russian organized crime elements, are very worthy adversaries. They study law enforcement, they study banking, they study the brokerage houses, how they do businesses, they know the systems, they know the laws, and they know how to approach, attack, and exploit vulnerabilities. We have to remove those and we have to do it, I think, with all due fervor. I think it's very appropriate that you're having this session today.

In the interest of time, I will cease my remarks at this point and I will be happy to answer questions.

[The prepared statement of Mr. Harold D. Wankel can be found on page 137 in the appendix.]

Chairman LEACH. Thank you very much, Mr. Wankel. Mr. Sims.

STATEMENT OF ROBERT E. SIMS, SENIOR ADVISOR, INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. SIMS. Thank you very much, Mr. Chairman. I, too, have submitted a prepared statement, but I'd like to hit some of the highlights in light of what the other panelists have said. It's also a

privilege for the Department of State to appear before the committee today to discuss what, in the Department's view, is a critically important national security problem, and that is the impact of organized crime on banking and financial services.

Mr. Chairman, the Department is deeply concerned about this threat basically for two reasons; first, the direct threat to the physical safety and economic well being of Americans at home and abroad. Money laundering is the life blood of narcotics trafficking and organized crime and fuels criminal activity in the United States, including violence.

Second, Mr. Chairman, transnational organized crime threatens America's national security and foreign policy interests in a number of regions of the world, undermining legitimate economies and threatening emerging democracies. President Clinton and Secretary Christopher have placed the battle against transnational organized crime at the forefront of U.S. foreign policy agenda and have committed the diplomatic community to work closely with law enforcement, intelligence, and other relevant agencies to find effective and innovative responses to this problem.

If you'll permit me, a personal note, Mr. Chairman. I'm a small example of that commitment myself. I am not a career foreign service officer, but came to State after serving 5½ years as an Assistant U.S. Attorney in the District of Maryland. During my time in the office, we certainly saw a large influx of organized crime groups. The Cali Cartel, Nigerian heroin organizations, Asian gangs, among others. These groups move into Maryland, often with violent and tragic results.

Mr. Chairman, if a State like Maryland or the United States, in general, with its strong experienced, law enforcement and judicial institutions, can feel the negative effects of transnational organized crimes, countries without these advantages suffer damage that is often much more severe. The economic and political power of Russian organized crime groups, the Colombian cartels, Mexican drug traffickers, Nigerian organizations, and Asian drug lords could not be ignored by the United States, even if they had no direct U.S. law enforcement interest or impact on that interest. These organizations can, through corruption, intimidation or violence, greatly inhibit legitimate business activity, erode public confidence, and undermine democratic institutions in the countries in which they operate. This, in turn, directly undermines U.S. national security.

The State Department can and must play an important role in our effort to combat global money laundering and the threat of transnational organized crime. There are three areas of the Department's responsibilities I'd like to focus briefly on today, the first being international training and technical assistance; the second, foreign policy and national security initiatives; and, finally, overseas coordination.

Mr. Chairman, the United States is fortunate enough to have the best trained and most knowledgeable law enforcement officers in the world, and you'll be hearing from these agencies over the course of this hearing. However, as you've heard, in facing transnational crime, this is only part of the battle. We must work with effective counterparts overseas in order to accomplish our goals. Unfortunately, our law enforcement officers are often called

upon to work with law enforcement officials in other countries that do not benefit from the same level of training and have not developed the same expertise we have. This is especially a problem in areas such as money laundering and financial crime, which can involve sophisticated laundering techniques or complex frauds that require equally sophisticated investigative work.

Mr. Chairman, the Department is working to develop or help develop these effective partners overseas by offering training, law enforcement training through our foreign assistance accounts. In undertaking these international efforts, the Department has two basic goals. The first is to build institutional capability overseas and allow these foreign countries to place themselves in a better position to work cooperatively with us. The second is to foster close working relationships between our law enforcement authorities and those in other countries. We do this recognizing that resources are limited, so we must work to reduce unnecessary overlap. It is most important that these programs be administered with our broader foreign policy interests in mind.

To accomplish these various objectives, the Department is working closely with our Federal law enforcement agencies to establish priorities and implement effective and coordinated training programs. Good examples of that are efforts in the former Soviet Union and Central Europe, that I describe more fully in our prepared statement.

Another area of the Department's involvement, Mr. Chairman, is foreign policy and national security initiatives. There, you have heard a number of initiatives, the President's money laundering initiative, Treasury's work in the Summit of the Americas, and the Financial Action Task Force, and State is involved heavily in all of those areas in cooperation with Treasury, Justice, and other agencies.

We also have ongoing discussions with the G-7 partners and the Russian Government, trying to develop a range of recommendations for improved international cooperation against money laundering and financial crimes, and organized crime in general.

I would also like to mention one of the other initiatives that President Clinton announced during his speech before the U.N. General Assembly, and that was the use of the International Emergency Economic Powers Act against the Cali Cartel. IEEPA, which is administered, as you know, by Treasury's Office of Foreign Asset Control, allowed the President to freeze assets of the designated Cali Cartel leaders, their associates and front companies in the United States, but, more importantly, prohibits U.S. persons from doing business with these individuals and entities.

This greatly restricts the ability of these front companies to conduct business as usual in or with the United States. Surprisingly, published reports in Colombia also suggest that Colombian businesses, including financial institutions, have been emboldened by the President's action and have been refusing to do business with these cartel front companies, as well.

Mr. Chairman, the use of the IEEPA statute, as well as the President's money laundering initiative are the type of innovative responses to organized crime we need and, indeed, we're working

on an interagency basis, as required by the President, to determine whether we can use IEEPA to target other criminal organizations.

The final area I'd like to touch on, Mr. Chairman, is the question of overseas coordination. Here, I would note that both the Secretary of State and the U.S. Chief of Mission have statutory responsibilities for coordinating our activities abroad, activities for all U.S. Government personnel abroad. As the personal representative of the President and country, the role of the Chief of Mission is especially important because he or she is charged by the President and statutorily responsible for direction, coordination, and supervision of all U.S. Government personnel in the country, except certain military personnel.

The Chief of Mission must, therefore, play an important role in our fight against transnational organized crime. We believe, Mr. Chairman, that the overseas law enforcement activity and the placement of our law enforcement agents overseas is in the vital interest of the United States and, indeed, our missions overseas are the forward bases for protecting and advancing U.S. national interests, including our law enforcement interests.

Mr. Chairman, my purpose for mentioning these responsibilities is I fear the Department's ability to support these important law enforcement functions is jeopardized as mission resources are reduced. We currently have some 1,600 law enforcement personnel overseas and virtually all of these agencies are seeking to expand their presence. Unfortunately, Chiefs of Mission are increasingly considering such issues as cost and resource availability when making decisions to enhance our law enforcement presence, even where they agree that that enhanced presence would be desirable.

I would, therefore, urge members of the committee, when looking at the issues of law enforcement activities overseas, not to forget the State Department's responsibilities and the resources it needs to support these activities.

As with other transnational crimes, Mr. Chairman, there is no simple solution to the threat of global money laundering and financial crime and I believe we have to look at each of the areas I have discussed here today, as well as the other issues touched on by the panel, as part of a comprehensive response.

The Department of State looks forward to working with the law enforcement and intelligence communities and with the Congress to combat this global threat.

Thank you.

[The prepared statement of Mr. Robert E. Sims can be found on page 153 in the appendix.]

Chairman LEACH. Thank you very much. Before proceeding, I would like to take a moment to introduce a distinguished guest. We have with us today a former Attorney General of the United States and former Secretary of State, Mr. Bill Rogers. You're welcome, sir. I might mention, I think, that the overlap of those two departments, as Mr. Sims says, is significant.

I just have a couple of questions of the panel before turning to others. First, it appears that overnight, the magnitude of this whole problem has grown. All of these issues, in one form or another, have been existent for many years, but suddenly the

magnitude is upsurged and appears to, in fact, continue to be upsurging.

Mr. Sims mentioned the issues of resources, but when we think of the issue of budgeting, whatever the changes in Congress, and, frankly, I think they're more modest than the current debate that is underway between our two parties, but basically Congresses start out with the prior year's spending levels and then they tilt them slightly up or down depending on priorities and prejudices.

But it strikes me that whereas the United States may be well ahead of any other country in the world in our sophistication, that if we're talking about a half-trillion dollar problem, and that number has been thrown out and I don't know if people want to contest it or not, that is a problem of a magnitude that makes it a creature of a very different dimension than might have been the case 3 years ago or 13 years ago.

And as we look at the resources of the government, and it's one of the reasons I'm disappointed that the CIA turned down our invitation to speak, some of the language that has been used today—Mr. Wankel talked about that this has the capacity to destabilize institutions and governments. Mr. Sims indicates it has a potential to undercut democracies. All of a sudden, you're talking about fundamental root problems.

And then when we look at where we allocate our resources in the government, are we allocating them to deal with this magnitude or future magnitude problem? It strikes me, in particular, we all called for interagency approaches. I have been one that has wanted, frankly, to bring the intelligence services more directly into institutional accountability, because I think they have more resources, in many ways, at least abroad, than any other set of institutions.

So what I would like to ask all of you is as we look at this, aren't we looking at a new creature? If we're looking at a new creature, don't we have to give substantially upgraded attention? And if we give substantially upgraded attention, where should those resources be applied?

Is this another case that the Department of State has to put some question marks about its declining resource base? Is it a case for the Treasury and the Secret Service? Is it a case for the Federal Reserve and some of its activities? How would you respond to that question?

Mr. MORRIS. Let me try. As at least one member of the panel knows here, I've been in the government a long time, over a quarter of a century, and this issue is driven by the reality of political attention first, and then the issue of mobilizing resources.

I am not aware of any statement about the urgency and importance of this problem by a President of the United States for the time that I have been in government. The most significant and powerful statement was made by the President at the United Nations in October. It is also very significant that the Secretary of State has spoken out in a major address at the Kennedy School.

The Secretary of Treasury felt it significantly important to spend a weekend in Buenos Aires at the summit of the Americas Ministerial Conference trying to hammer out an issue on money launder-

ing, because exactly, as you said, the ability of organized crime to launder its money means that they can develop economic power.

There is no free enterprise system that can operate if some people have no cost or low cost of capital. You drive out honest businessmen, particularly in countries that don't have a long tradition of free enterprise and economic power.

This is a very serious matter. I don't think the question right now is how much money should we be throwing at the problem. I think that we are in the process of looking at it more intelligently and then we will bring the resources to bear, I believe. I know that's the view of the Secretary and the Attorney General, both of whom I have had an opportunity to speak to on this subject.

But I think that the urgency and importance of it and the value of this hearing itself, is the kind of political leadership that will drive those of us to bring the resources to bear to deal with it. I don't think we have had that level of attention before.

Mr. WANKEL. I agree 100 percent with your lead-in question here. We need only look at the cocaine business as it impacts this country. Since the mid-1980's, let's say, the organized cocaine business in the United States is controlled entirely outside the confines of the United States. It's from Colombia, now Mexico increasingly. That's where the order of business is drawn, that's where the CEOs of these cartels sit, if I can use that statement.

Organized drug crime and increasingly organized crime is truly a national security threat to the United States. We only need look at President Zedillo in Mexico and what is said in Russia as far as the national security threat that it poses to those countries. That very much makes it directly a threat to the United States.

I think, then, that there needs to be, in some sense, a reordering of prioritization of assets. I agree very much with Mr. Sims. In this day and age, as we are trying to increasingly work with allies, force allies to come to the table in the foreign arena, to work in a real meaningful sense on these efforts, we have to have the ability and the resources, both personnel and, to some degree, additional monies probably to be able to make that come about.

Chairman LEACH. Mr. Kelley.

Mr. KELLEY. Mr. Chairman, from the standpoint, and it's a rather limited standpoint in the broad context that we're discussing here, from the standpoint of the banking system, I agree with Mr. Morris. It's not so much a matter of any absence of necessary resources. We have been provided with those in the regulatory regimes, and there are a number of various pieces of legislation of recent years, all of which have helped.

I would like to mention, however, that the biggest help, from our standpoint, was enactment in the Congress several years ago of the Foreign Bank Supervision Enhancement Act, what we call FBSEA, which was and is a tremendous tool for the Federal regulatory agencies in this area. It did involve the dedication of a substantial amount of additional resources on the part of the Federal Reserve and other agencies to comply with the requirements of that act, and we have been supported in that by the Congress and I think that it is proving to be quite effective.

I do agree with Mr. Morris that this is going to be an unending problem of trying to work smarter instead of simply harder in the

sense of pouring an enormous amount of resources into it. Obviously, we would support any resources that are needed and the Congress has been very good about supporting that, as well.

But I think it's primarily a matter of just keeping very good people involved and keeping our eye on the ball and trying to stay up with this evolving threat as it changes over time.

Chairman LEACH. Thank you, Mr. Kelley. Yes, Mr. Sims.

Mr. SIMS. Thank you, Mr. Chairman. I agree with what each of the panelists has said, because I think that there is a difference between the idea of sort of throwing money or just simply increasing budgets as a way to address a problem and doing that sort of smartly, sort of targeting resources.

The reason I raised the question with respect to the Department is that I think that there are links that sometimes are not drawn when we're looking at these problems, and we've talked about sort of compartmentalization. On the one hand, we have, at this hearing, a clear indication that we're facing a significant national security threat that we've got to respond to, and some of that is sort of things that we can do internally, unilaterally, and the government is committed and the Administration is committed to doing that.

But there are also things that we need to do internationally, including being on the ground to be able to affect what happens overseas. When those links aren't drawn, if we are then looking at the Department's resources—and, in fact, they are being rolled back, so the embassies are having more limited operations, consulates are closing and the like. That's where I see the need to consider this holistically, because we're facing a serious national security problem.

I can give you a real small example of that. I note that Mr. Morris is familiar with the situation in the Seychelles. We learned some months ago that the Seychelles—as a very small example—the Seychelles has passed a law that for a \$10 million investment, you are given essentially immunity from prosecution for anything but a drug crime or a violent crime committed in the Seychelles. We were extraordinarily concerned about that, even with a small country. It's an extremely bad precedent.

We talked to our Africa Bureau. We wanted to impact and get that turned around and found out the embassy is closing there. Within weeks of our attempt to get in to have this discussion, the embassy was closing. There was very limited assistance by the United States. In fact, I think there was a tracking station, a military operation that was also closing.

So in essence, as we were trying to get in to sort of stop what we viewed as a very serious, though small, in the larger scheme of things, development, we, in fact, find our resources are going the opposite direction. That's what I mean by trying to draw these linkages. If we want to be able to impact the situation on the ground overseas, we've got to be there.

Chairman LEACH. Thank you very much, Mr. Sims. Mr. Vento.

Mr. VENTO. Thank you, Mr. Chairman. It doesn't sound like putting the Marines in charge is going to work, as some have advocated. Mr. Chairman, I think that very often this testimony evolves into the sort of cash transaction or illegal laundering, but I think

that's a very serious problem, but I think that the issue here, from our standpoint, is really that it's being facilitated now on an electronic basis and the ability to invade the system.

Part of this leads to the question that you were pointing out, I don't know how closely I was listening, Mr. Chairman, but—and I think Mr. Morris was pointing to this—that this can really undo the free enterprise or the ability of a nation to move into a more democratic or free market type of economy, as we see in central Europe and in other places, and, in fact, of course, it's not unknown.

You really wonder, if you list a country like India or Colombia, what the effect would be in terms of the entire ability of that economy to function in the context of the type of financial transactions that take place between it and other nations, whether it's Britain or France or the United States.

I would like to yield to Mr. Bentsen, because he has to go, Mr. Chairman, on my time.

Mr. BENTSEN. I thank the gentleman for yielding and I'll just take a second. First, I do have to leave to go to a meeting with a major institution from Houston, but I wanted to welcome Governor Kelley, who is a fellow Houstonian. Actually, I grew up with his kids some time ago. I had an economics professor in graduate school who said that he held the best job—this was a strict monetarist, who said all you had to do was go in in the morning, check the money supply, and play tennis the rest of the day. But I know Mr. Kelley does a lot more than that.

I do have two questions, for the record, for Mr. Kelley and for the others.

Chairman LEACH. Excuse me, if the gentleman will yield.

Mr. BENTSEN. I will yield to the chairman.

Chairman LEACH. He must also, on a regular basis, see if the gold is at Fort Knox.

Mr. BENTSEN. I stand corrected by the chairman on that. The first is there are—it's my understanding there are six or seven Russian banking companies that are of some stature that have come about that are—and some that should make it over time, and they are having difficulty in establishing agencies in the United States.

And I would just ask, for the record, because I am going to have to leave, whether or not there is a problem related to the fraud and criminal activity that is a result of their problems or if there are other issues. I'd just appreciate that, if you could get back to me and also for the record.

[Governor Kelley subsequently submitted the following information for the record:]

Applications are currently pending from Promstroybank of Russia, Imkombank Bank, and Rossiyskiy Kredit Bank. All are seeking to establish representative offices in New York. The applications must be evaluated under the standards set forth in the Foreign Bank Supervision Enhancement Act [FBSEA], including the extent to which the applicant foreign bank is subject to comprehensive consolidated supervision, the financial and managerial resources of the applicant, and whether the applicant has provided the Board with adequate assurances that it will have access to information necessary to determine and enforce compliance with U.S. law. Federal Reserve staff are in the process of completing the records on these applications. At that point, the Board will decide whether the standards for opening representative offices in the United States have been met as specified in the FBSEA.

Mr. BENTSEN. The second question relates to legislation that this committee adopted earlier this year, and that has to do with the regulatory reform legislation and changing the structure of the audit committee for boards of bank companies. Current law, as I understand it, requires that audit committees must retain a majority—the majority of the committee must be outside directors. The legislation that this committee adopted would repeal that and allow insiders to control the majority of the audit committee.

I'm just interested, again, for the record, in your comments on whether or not you see this as opening another avenue where insiders could be compromised and problems could occur, criminal activity could occur as a result of that.

I appreciate the gentleman yielding and I yield back my time.

[Governor Kelley subsequently submitted for the record the Federal Reserve Board's views of the independent audit provisions of H.R. 1858, which amend section 36 of the Federal Deposit Insurance Act:]

As drafted, H.R. 1858 exempts well-capitalized and well-managed institutions from all the requirements of section 36 except the requirement for an independent audit. The purpose of section 36 is to identify management problems before they harm the bank's condition; an exemption is inconsistent with this purpose. In particular, the requirement in section 36(g)(1) of an independent audit committee is important because such committees can play a pivotal role in corporate governance and provide an additional layer of protection against possible malfeasance.

Mr. VENTO. Thank you. I think that they will answer for the record, Mr. Chairman, and if there is time permitting, you might want to comment. But my question really related—or one of them was—the witness from the GAO, Ms. Hecker, you mentioned that there are 40 measures or recommendations by the Financial Action Task Force. Did you get any sense of how many of those had been implemented or what the status of some of those were?

Ms. HECKER. The primary mechanism of the FATF to assess progress is the mutual evaluations. We didn't personally review them although we had reports that people were very satisfied with this process. Basically, these reports are not disclosed. They're kept private. So I can't accurately summarize their findings for you.

Mr. VENTO. Let me ask our witnesses if they can give us a sense of what the status is. I'm interested to know how many prosecutions you had internationally. Can you get into Buenos Aires if you have someone that is doing something or into St. Petersburg if somebody is doing this? Are they actually going to be prosecuted? Because if not, if there are going to be these delays, I mean, that is basically going to continue to foster the type of electronic funds transfer problem that really undermines the entire validity and reliability of the financial institutions and our various relationships.

Mr. Morris wants to answer.

Mr. MORRIS. Yes. Let me at least try. First of all, it's important to recognize that money laundering itself was criminalized in the United States in 1986 and as the chairman pointed out in his opening remarks, the Congress has given us a number of new tools.

When the Financial Action Task Force was created in 1990, we established 40 recommendations and then went through a process, which we call mutual evaluation, in which experts from other countries go in and assess the country's performance against those recommendations. Great progress has been made in all of the coun-

tries of the Financial Action Task Force in putting in place the laws and the mechanisms to deter and, if unsuccessful in deterring, to prosecute and convict money launderers.

However, as the committee is all too aware, the laws in themselves are not self-enforcing. New units have been established, much like FinCEN, which receive suspicious reports based on knowledge of customers in Holland, France, England, Belgium, Argentina, and Australia.

So they're beginning to have the mechanisms, as well, to take information from the banks. The bank reporting is getting better. They're beginning to identify and make cases. The next phase—we're doing two things. One, which is an issue you brought up, is that we're now in the process of changing some of the initial 40 recommendations, toughening them up, and, in one case, adding one that forces governments to look at new payment systems, new electronic technologies that go into new payment systems, so that every country covered by the FATF will have to do an affirmative examination of the vulnerabilities there.

We are also going through the mutual evaluation now. The first starts with France in a couple of weeks, and looking at not just the fact that the laws are in place, because they are in place, they can show those to you, now we need to look at whether or not, in fact, they're being carried out. That is, of course, the big question.

But I think in fairness to the process, given the number of countries and the different cultures and nature, we've made a lot of progress.

Let me make just one other quick point here, because I think it's very important to note that in the world today, there is a different attitude about dirty money. I was in Russia for a week as a part of a Financial Task Force training program, along with colleagues from State, Justice, and the Federal Reserve, and we met with a lot of banks and people from the Central Bank and the Finance Ministry and all, and we raised the question that they should set up a system to report suspicious reports of illegal money coming into the bank.

There was almost unanimous puzzlement as to why anybody would not take dirty money into the bank. That has changed. It has changed in Russia. It has clearly changed throughout the Americas. There is now an understanding that dirty money drives out clean money, that, as Mr. Wankel and Mr. Sims have said, that raises serious security concerns.

So the international convention attitude, I think, has changed here significantly, as well. But, finally, the proof is in the pudding and we're examining now not just whether the laws are in place, but whether they are, in fact, being implemented.

Mr. VENTO. Mr. Chairman, my time has expired, but I'd be most interested to know of our technical ability in the United States in terms of providing the types of software programs and checks to try to keep up with or keep ahead of those that are trying to break the system down. I think that is where we need to go to ensure the reliability and the integrity of the electronic funds transfer system.

Obviously, the whole focus seems to me to be on a laundering of money that comes from illicit activities, but the concern here is who is getting debited and who is getting credited. An electronic

system is paperless. And while the issue in terms of illegal transactions is important, I think the other—Mr. Kelley commented on the amount of credit card fraud. I'd be interested in knowing on—we could never get an answer on the electronic funds transfer fraud or what the problem was.

What are the changes for consumers? What do we have to do? How can we stop that particular system, besides just saying we're going to give you all the liability and walk away from it. Thank you, Mr. Chairman.

Chairman LEACH. Thank you very much, Mr. Vento. Mr. McCollum.

Mr. MCCOLLUM. Thank you, Mr. Chairman. Mr. Kelley, the January 22 issue of the *New York* magazine carries a very provocative story, "The Money Plane." It says that every day, the Russian mob gets a shipment of up to a billion dollars in fresh \$100 bills. The money, flown out of JFK, comes straight from the U.S. Federal Reserve.

Now, inside, they are a little more explicit and talk about a bank in New York, called Republic National Bank of New York, and \$100 million that they have documented leaving a particular time of day and going to Russia and so on and so forth.

What I'm curious about is—I'm sure you are aware of this article. To what degree is this article accurate? Is what is being done in any way against the law? If you've looked into that. What authority do you have, does the Federal Reserve have to stop anything that may be improper that is reflected in the passage of this kind of money? I don't doubt some of it must be going to the mob, but I've heard that story from other sources, not this particular one.

What can you tell me about, using this at least as a jumping off point, what's going on at the Fed in terms of this issue?

Mr. KELLEY. I'd be happy to, sir. Using that article as a jumping off point, let me give you a general configuration of how this entire business works. There is, of course, a demand around the world for U.S. currency and that demand is particularly strong in those nations where the population has had problems in the past with their currency, or perhaps with hyperinflation and so forth, and they see the dollar as a haven of value.

The Federal Reserve meets the demand for currency, both domestically and overseas, by selling currency to U.S. chartered banks, who, in turn, resell it and put it out into circulation. That happens routinely through every bank in the United States domestically. There are relatively few banks, and the one that you mentioned is probably the major single one, who are in the business of meeting the demand for U.S. currency overseas.

Now, Russia is one of the very largest areas where there is a demand for U.S. currency and there isn't any doubt but that a certain amount, and I don't know how much, of that currency does indeed go to illicit activity.

But to put it in context, this is a very large and rapidly expanding economy and there is an enormous amount of perfectly legitimate activity that goes on there, certainly including many U.S. firms who are doing perfectly legitimate things to help develop that economy.

Also, the dollar is the medium of choice for savings of the average Russian household. It's been estimated that up to 70 percent of urban households and 40 percent of rural households in Russia own some dollars which constitute their family savings, and they keep them buried in the backyard against a rainy day. So there is a tremendous amount of legitimate activity that requires dollars and there is a tremendous amount of savings by the average Russian family of American dollars.

Now, the Russian banking system is a brand new system. They had to start from scratch. When the cold war ended, they did not have a banking system that was at all suitable to operate in a free enterprise or market economy. And there are a lot of good people who are working very hard to try to establish a good, sound, legitimate banking system in Russia.

Mr. MCCOLLUM. I know you want to answer further and I don't want to cut you off, but before the yellow light goes off, I want to make sure one other point is answered as you're getting into Russia right now. To what degree does the Fed have knowledge of crime infiltration, organized crime infiltration in the Russian banking system? I know I've heard from the FBI concerns they have over this issue and I'd like to know, as you describe and finish your comments here, what you know about it.

To what degree are these banks corrupt and do you have powers sufficient to deal with the degree of corruption that may come back our way from that source? Please, but I just wanted to be sure I got that in, if you can answer.

Mr. KELLEY. Yes. If criminal activity comes back our way and is reintroduced in some manner or an attempt is made to reintroduce it into the U.S. banking system, then we do have a great deal of power and a great deal of infrastructure in place to deal with that.

We certainly do not have the capability of involving ourselves in the internal affairs of the nation of Russia.

Mr. MCCOLLUM. But what do you know about that?

Mr. KELLEY. Not a great deal as to what happens specifically in Russia. United States banks sell a relatively small number of Russian banks American currency. There are on the order of about 2,000 commercial banks in Russia now, of which about 800, as I understand it, are authorized to engage in foreign exchange type activities.

The bank that you mentioned sells currency to a very small subset of that and they represent that that's a very carefully selected subset. We and the other Federal regulatory agencies supervise American banks and they are held to very high standards when they operate overseas and they are examined against those standards.

We are not the examiner for Republic Bank specifically, but I'm very sure that their activities are carefully scrutinized and held to the highest standards. But they, I am sure, in turn, are limited in their ability to influence what goes on with U.S. dollars after they have sold them to their legitimate customers in Russia.

Chairman LEACH. Thank you, Mr. McCollum. Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman. It is my understanding that the anti-money-laundering regulations currently apply primarily to banks and that many countries have not estab-

lished similar guidelines for non-bank financial institutions, even though there seems to be a growing problem in that area.

How effective are the current anti-laundering regulations on non-bank entities which are involved in financial services and what is being done to strengthen the weak links among these non-bank financial institutions?

Mr. MORRIS. You're quite correct that our regulatory scheme, particularly at the Federal level, is much more effective as it relates to depository institutions where we have supervisory oversight from the Federal Reserve and the OCC and the FDIC and the OTS.

As it relates to non-bank financial institutions, we, in the United States, and this is a problem elsewhere in the world, do not have the same effective regulatory oversight. The Congress has given us authority to place those entities within the gambit of the same kinds of rules. It is important to note, as we define them, right at the beginning, however, that that is quite a challenge.

I got back late last night from Las Vegas, where we're dealing with the casino industry and trying to establish anti-money laundering mechanisms there, which has a fairly mature casino business. Obviously, the kind of regulatory scheme you put in for casinos is different than you would put into, say, for broker-dealers, who we had a meeting with a couple of weeks ago, trying to design a suspicion reporting system and a "Know Your Customer" policy related to that. That is different, again, when you deal with check cashers or money transmitters.

What we're trying to do is focus on the places where they seem to be the most significant. I know the chairman has spent some time in another context here dealing with the issues of insurance. We hear from some of our colleagues in Europe, in the United Kingdom and in France, that they see insurance being increasingly used as a device to essentially camouflage the source of illegal money. We, of course, have no Federal regulatory mechanisms to deal in that area and we are looking very closely at what they're doing.

DEA and Customs have made major cases against currency exchange houses. There have been currency exchange houses along the border that have been used for money laundering.

This is a very difficult area. One requirement under the Money Laundering Suppression Act is to set up a registration just to identify them and then begin to, in various categories, deal with them. The more effective we get with banking, we push the problem into new forms of technology and it's something we need to pay more attention to.

Ms. ROYBAL-ALLARD. My second and last question is that the U.S. Government has been working to establish alliances with the private sector experts in order to share information, because it's so difficult to keep up with all the changes. Have the alliances between the private sector experts on financial crime and the Federal regulators been effective in helping regulators and enforcement officials keep up with this constant technological change?

Mr. MORRIS. I will make a quick comment. We created, some years ago, what we call the Bank Secrecy Act Advisory Group and it's made up of both non-bank financial institutions, representa-

tives of the casino industry, and then large representation from banking, both the large banks, Citibank, Bank of America, as well as smaller community banks.

It has been the single wisest thing that we have done. It is clear that if we do not have, in the money laundering area, an effective partnership and that they understand what we're doing and that our regulations are sensible, we are going to fail. They really know the money business better than any of us in the Federal Government.

As good citizens and with effective oversight from the regulators, I think we've made very good progress. The whole suspicious reporting system that I mentioned in my opening remarks and also that Mr. Kelley mentioned, will not work unless the banks know what it is we're looking for. Our colleagues at the Secret Service and FBI and the like are building those kinds of relationships, as well.

Mr. KELLEY. Let me make three points as it would regard the banking system. First of all, we are working very hard to improve and expand and strengthen this basic approach of "Know Your Customer," and that is the heart of the matter.

Second, in the area of the ever-more sophisticated electronic means that are available to move money, the private sector, who is at risk, is spending an enormous amount of attention and resources on countermeasures to make sure that their internal systems cannot be breached. This is going to be a job that is going to go on forever, because there are very, very clever criminals out there and they, I'm sure, will always be able to come up with new schemes. We're just going to have to try to stay ahead of it.

Which leads me to the last point. I think, as Mr. Morris suggests, that one of the most important relatively new developments in this whole field has been the establishment and evolution of information sharing networks among government agencies and private sector participants, which shares information very efficiently and in great detail.

So when some new scheme shows up, information about that is very rapidly and very effectively disseminated and countermeasures can be very quickly put into place. I think that has been very effective, as well.

Ms. ROYBAL-ALLARD. Thank you.

Chairman LEACH. Thank you, Ms. Roybal-Allard. Mr. Campbell, welcome.

Mr. CAMPBELL. Thank you, Mr. Chairman. It's a pleasure to be on the committee and to call you Mr. Chairman. I have two questions, but I'll preface it by a comment of welcome to my good friend, Stan Morris, with whom I had the honor to serve in the Justice Department and note to the chairman and my colleagues what a distinguished public servant he is in many different capacities.

The questions I have are two, first to Governor Kelley and then to Mr. Sims. So I'll state them both and then the time is yours to divide. They are on different subjects. For Governor Kelley, I represent a Silicon Valley high tech area and indeed the headquarters of Internet and we're very interested in the cyber banks and a nec-

essary component of any effective cyber bank is the electronic signature, the uncounterfeitable, hopefully, electronic signature.

I'm interested in what guidelines, if any, the Federal Reserve has—and this is an information question. It's been 3 years since I've been in Congress and I don't know what the answer is. So it's not as though I'm setting something up.

And to Mr. Sims, the question is I grant your point and I wonder if the Secretary of State would support an earmark for law enforcement functions in the foreign ops budget. I sit on the International Relations Committee and that would be one way of addressing the problem. Traditionally, the Secretary has opposed an earmark and I wonder if you might enlighten me on that. Governor Kelley.

Mr. KELLEY. Shall I start? The entire area of electronic money is developing very rapidly. There are a very wide variety of different schemes, if you will, as to how to get this thing going and how to establish new payment systems and so forth. It is, as yet, so much in its infancy and so much in flux that it's very difficult to tell what the configuration of this new industry, new system or group of systems is going to really look like.

We don't understand the configuration of how they work because none of them are really in place and functioning yet on an operational standpoint. It's also very difficult to tell what the magnitude of the funds that will move over these systems will turn out to be and it's very difficult to make an estimate of how rapidly the growth is going to occur.

So we are studying this whole matter very intensively. We are extremely interested in it. But we still are very much in the beginning phases of understanding it because the whole new notion of electronic value, electronic stored money and so forth is still so new and untried. So we're not very far down the road either in the development of that business or in the identification of what would be appropriate regulatory responses to it.

Mr. CAMPBELL. I'd simply then draw your attention to the fact that each State is developing such protocols on its own. I was a State Senator just a few months ago and we passed such a provision in the State of California. It would be wise to integrate and make uniform what those standards may be.

Mr. Sims.

Mr. MORRIS. Could I just add one quick point, Congressman Campbell?

Mr. CAMPBELL. Sure.

Mr. MORRIS. I should have mentioned it in my opening remarks. I'm sure, in the not too distant future, Gene Ludwig, of the Office of the Comptroller of the Currency, has been directed by Secretary Rubin to undertake a study just like that. A number of major papers are being developed, because, you are quite correct, that this is moving with great rapidity in a number of different areas, some in terms of even where the government is moving to use these services. Others, those in law enforcement, are concerned about the anonymity that exists there. But, anyway, the Administration is looking at that very broadly.

Mr. CAMPBELL. Thank you, Stan. Mr. Sims.

Mr. SIMS. Thank you, Mr. Campbell. Earmarks generally, we have opposed those as a matter of policy, and I can give you a cou-

ple of reasons for that. When I talk about the necessary embassy functions and the support for law enforcement, that's got to be kept in a broad context. We have a number of important functions that an embassy overseas has to maintain, important economic interests, other security interests, and a variety of those.

What's happening is that as resources generally decrease, and I see this from my perspective and the reason I raise this question is I see Chiefs of Mission, in determining whether to add additional law enforcement positions, faced with the prospect that they may not be able to do that strictly for cost or space limitations or that by adding additional law enforcement slots, some other very important function ends up being reduced.

In that kind of environment, an earmark just for law enforcement specifically is difficult. The State Department is not a law enforcement agency. What I'm talking about is considering the links between what we're trying to do in the law enforcement area and especially dealing with a problem like organized crime, drawing those links in determining overall resources for our missions overseas, because that's where I see the problem.

I testified yesterday at the subcommittee hearing on agency staffing and related issues in the counterfeiting area and there you see the problem crystal clear, the budget given to Secret Service for additional posts. They make recommendations. Chiefs of Mission are then faced with "I have nowhere to put this person" or "I can't pay the associated costs of housing, basic functions." Therefore, even apart from the substance, it still can't be done, and that's what I'm talking about, being able to draw those links. In that environment, an earmark doesn't necessarily help.

Mr. CAMPBELL. Thank you. Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mr. Campbell. Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I want to thank you, Mr. Chairman, for holding this hearing on an issue that is not only timely, but also of great importance to my district—organized crimes' infiltration of the international monetary system.

Mr. Chairman, this situation has escalated to such a degree that today, in an area in my district, in Queens, there are over 300 money transferring systems operating in an area as small as two blocks. Many are good, hard-working businesses. Unfortunately, some are used as money laundering firms.

I also want to take this opportunity to thank Chairman Leach for inviting someone with a front-line view of these problems, the District Attorney from Queens, New York, Richard Brown.

Mr. Morris, you mentioned before that you have jurisdiction over money transferring. I just would like for you to tell me when you will be addressing the issue of money transferring services.

Mr. MORRIS. There are several different aspects, Congresswoman, that we need to deal with. First of all, of course, our investigative agencies are making major cases. There are obligations and responsibilities in these organizations at present to report large amounts of cash and when they fail to do so, it's a crime and, in fact, they are prosecuted for that. So there are obligations at present for these organizations. So it's not that there is no system.

We must rely, from a regulatory standpoint, on the Internal Revenue Service's Examination Division, who does the actual super-

vision of money transmitters and other nonbanks. There are some quarter of a million such organizations. So, clearly, this is a resource matter and one step that we must take is, in fact, move to register them, require registration, and then begin setting some standards. We are, at present, relying on the IRS to do that.

I know in the State of New York there are requirements for registration within the New York Banking Department, but those are ignored as much as they are followed. So we will try to have a definition in place first, which is not a small problem in terms of who is covered, and a registration system before the end of the year.

Ms. VELAZQUEZ. Before the end of the year. I was wondering if you could discuss how you would be approaching this and specifically how you will balance the need to properly restrict illegal money laundering without unfairly penalizing the honest businessman.

Mr. MORRIS. This is, of course, very difficult in this area because we have no Federal regulatory oversight and we have very little history in dealing with them. As I mentioned, this includes casinos, it includes broker-dealers, it includes money transmitters. And you are quite correct that some 20 percent or so of American citizens are non-banked; that is, they don't have a checking or an account relationship with a depository institution, and their needs are very important and they are served by many of these organizations.

We have very close relations with the Check Cashing Association and the Money Transmitters Association. They are members of our advisory group and we are working with them to ensure that the legitimate functions are done. They are very much concerned, as well, that the business is not tainted by this and we're trying to work with the honest businessmen in a partnership that will bring out those who want to abuse these services.

Ms. VELAZQUEZ. What can be done to enhance the tools of law enforcement authorities for the investigation of illegal funds?

Mr. MORRIS. On that, I will defer to a law enforcement agency here.

Ms. VELAZQUEZ. Mr. Sims.

Mr. MORRIS. Mr. Wankel.

Mr. WANKEL. Thank you very much, Mr. Morris. As we come across money laundering or people and institutions and these money transfer centers, as you refer to, during the course of our investigations of major organizations, then we do carry forward our investigations to target those individuals that do this. We have no mechanism or means of going out and regulating or ascertaining which of those are in violation. We have to work in the other direction.

We take on the major organizations and as we come to those centers, then we do follow through in that investigation.

Ms. VELAZQUEZ. I don't know who could answer this, maybe Mr. Morris, but in light of the fiscal constraints that we are facing in this Nation, the search for illicit funds is draining the law enforcement system. What measures can be taken to more effectively monitor the legal flow of money?

Mr. MORRIS. One aspect that becomes very important here is that while technology is a risk and the criminal element can use it, so can law enforcement. We are trying to apply new software,

new artificial intelligence systems against various databases so that we can basically set our priorities smarter, and I think that's probably as important as anything else.

One step that we are taking is trying to reduce the paperwork that's generated by the existent system so that we can focus our resources better. Then I think we need to make sure that there is, as I think Governor Kelley said, a very clear coordination with all of the players, because money laundering, as a crime, doesn't fit easily anywhere. All of us have to work together.

Ms. VELAZQUEZ. What type of oversight do you have to detect illegal transactions at the local establishments?

Mr. MORRIS. The primary oversight from a civil regulatory standpoint is with the Internal Revenue Service Examination Division. They devote some 600 to 700 work years to that area. Yesterday, in the meetings we had in Nevada, looking at the casino industry, which is a somewhat different area, the acting head of Exam was there, as well, so they are very important.

But on the other hand, we have to recognize that the IRS is having serious budget problems. 600 work years applied to a quarter of a million such organizations is a difficult problem for them.

Ms. VELAZQUEZ. What about non-banks?

Mr. MORRIS. That's what I mean, that's non-banks.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Ms. Velazquez. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman. Governor Kelley made the point that part of the answer is to know your customer. Wondering about money laundering, my colleague from Florida asked about the \$100 bills, a billion dollars of which is moved per day into Russia, and part of the response was that we do not know a great deal about what happens in there.

Well, what we do know is that we have been told repeatedly that many former KGB are now involved in either security for Russian financial institutions or are directly running the operation of many Russian banks. I should ask Mr. Sims of the State Department. What has the State Department seen as the extent and nature of the former KGB's involvement in Russian banking, the mafia's involvement there, as a result, and in business and commerce, and does the former KGB use these ties to Russian businesses as cover for intelligence activity?

I'd like to make the point that this country's taxpayers send literally billions of dollars each year in assistance to Russia and I do not know what guarantees the State Department has that this money is actually affecting real reforms in Russia and not being laundered into private slush funds or accounts set up to enrich current or retired intelligence officers.

For example, former CIA employee Aldrich Ames received his last cash payment of \$130,000 from the Russian External Intelligence Service in new \$100 bills and his control officer said the money came from U.S.-backed international monetary fund loans and other western aid.

So we don't know our customer that well in this circumstance. So if you could respond.

Mr. SIMS. Mr. Royce, this will be an incomplete response and I don't want to be incomplete.

Mr. ROYCE. Sure.

[The following information was subsequently submitted by Mr. Sims.]

I would respectfully refer the committee to the intelligence community for information pertaining to involvement by officials of the former KGB in Russian banking, business and commerce and whether such involvement is used to advance criminal activities and enterprises.

Mr. ROYCE. Then we can come back to that. Let me follow up with a second question, then. Last year's international computer hacker from St. Petersburg was able to breach Citicorp's computer cash management system and transfer approximately \$10 million illegally. What can you tell the committee about this case, if I could ask, and has anyone been convicted and have other less well known banks had similar problems and how secure are banks' electronic cash management systems? How secure is the Fedwire in light of the fact that somehow, from St. Petersburg, there was a series of transfers?

And I think this is the first time, probably the first time that that security system has ever been breached.

Mr. KELLEY. Let me first make the point that that was not a breach of Fedwire. Fedwire transactions do not come from overseas, from other countries into the United States. That was a breach of Citicorp's own private system.

As I understand it, it was done with the use of legitimate passwords and identification systems that were valid and in place. And I do not know how that illicit access was generated.

I do believe I'm correct, and Mr. Morris probably knows much more about this than I, but I do believe there have been convictions in that case.

Mr. MORRIS. This was primarily a case of the Federal Bureau of Investigation, and I believe their representative in the next panel will give you more detail, more accurately than those here.

Mr. ROYCE. Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mr. Royce. Mr. Hinchey.

Mr. HINCHEY. Thank you very much, Mr. Chairman. I just want to say that I think at this hearing, particularly following up on the one that was held yesterday by the subcommittee of your committee which specifically focused on the problem of money laundering, gives this committee a very important opportunity to focus on a problem which is of growing significance and which indeed I think affects not just issues of criminal activity and our continuing efforts to deal with criminal activity, but also a matter of national security.

It seems to me, also, that we are, at the moment, facing an extraordinary conflux of circumstances, including the continuing deregulation of banking activities around the world, globalization of trade, accompanied by the increasing porosity of international borders, and a number of other variables that, in fact, make it easier for criminals to function.

We're creating an environment that facilitates the kind of activity that you folks have to deal with on a day-to-day basis. I'm just wondering, in a very general way, what kind of comments you might have for us. I know that the chairman has introduced what looks to me to be a very important bill to try to tighten up on some

of the things that need to be done. But what, in addition to that, do you think that this committee ought to be doing? Where ought we be focusing our attention? What kinds of laws and regulations ought we to be paying attention to in light of these new circumstances? I just make it in a general way to anyone who wants to respond.

Mr. KELLEY. I'm not sure that I would be able to make any helpful, positive suggestions there, because I think this committee has been doing an excellent oversight job and staying on top of this emerging problem, as would be illustrated by these hearings that you're having right now.

We have found that we get superb support from this committee and the Congress in the efforts that we are making and with the needs that we might have from time to time to enhance our ability to be effective in that area. So I think that I would express appreciation for the support in an absence of any very strong suggestions as to what further needs to be done by the committee.

Mr. MORRIS. I agree with Mr. Kelley. I think the most important thing that the committee can do is what the committee is doing today. That is bringing attention to the subject with quite impressive representation by Members of Congress and the expression of interest and concern. That will help all of us.

The other area, I think, is to recognize, just as you said, Congressman Hinchey, that the world is changing; the financial services world is changing, both in this country and around the world. It is very difficult to fall back into the old patterns of typical regulation. The questions made by Congresswoman Velazquez about non-bank financial institutions is a case in point—what a financial institution will really look like in the next century? The hearings that I know you've had and that you're planning in the future in the area of electronic payment systems and the like are critical to this process.

Keeping attention on those subjects is probably the most important thing. I think in many cases, we don't know enough to write regulations or even, in some cases, even to try to write legislation, but we must keep our eye on the ball, because the world is changing with extraordinary rapidity for all the issues that you raise in your statement.

Mr. HINCHEY. Ms. Hecker.

Ms. HECKER. Yes. I have just a couple of observations. One, I think, is that there clearly are limits to the reach of U.S. law and regulation. Exclusively focusing on what you can regulate or what you could pass laws about shouldn't have you lose sight of the benefit of the international outreach and cooperation of the nature of the FATF.

This cannot be solved without a global effort and requires a kind of outreach, where you can't regulate and you don't have reach to pass new laws. The kinds of questions being asked here today, though, about the adequacy of those efforts, the staffing of those efforts, the resources and authority of those agencies, and I would add another point that I raised in my remarks, the adequacy of the coordination and integration of some of those efforts.

Mr. WANKEL. Just to follow on to Ms. Hecker. You're absolutely right. You've captured it here, I think, Congressman Hinchey.

We're not going to be able to do it alone here and it's going to increasingly be—as I mentioned, our partners now, as in other countries, even if they're not our partners now—is there has to be better and more international sharing. There has to be better and more international cooperative efforts.

These investigations transcend one nation into another nation. They actually end up being multiple nations. I think that we need to continue the increased focus in the larger body of Congress here, the increased focus on international and transnational crime as a foreign policy consideration. That has to continue to be elevated and focused on. And other countries have to be more engaged in carrying this message. This cannot continue—not strictly this way, but it can't be seen as just a human cry from the U.S. Government. This impacts the world. This doesn't just impact us.

We're the first to address it and speak to it, but others have to be brought into this battle, as well.

Mr. SIMS. I very much agree with what the rest of the panelists have said. For me, what hits home when we talk about new technologies or the use of computer technology and the like is that the real change in law enforcement cooperation that is brought about by the ability of someone with a computer in one country going through two or three countries' systems to take money from a bank in the United States. Traditionally, in terms of law enforcement cooperation and our basic means of being able to work with other agencies, that kind of very quick real-time need to be able to get to Germany, to know that Germany is linked with Switzerland and goes to the United Kingdom, is extremely difficult in our traditional method of law enforcement cooperation.

One of my frustrations as a prosecutor in money laundering cases was the extraordinary amount of time that it can sometimes take just to get financial records, just to figure out what happened. Sometimes we're talking about looking at transactions that are 2 years old or 3 years old. You couldn't have any prospective impact in the area because you were already behind the eight ball at the time you got documents. So that is just an extraordinary challenge, I think, for both the law enforcement and the diplomatic community in finding ways to increase cooperation in this changing environment.

Mr. HINCHEY. Mr. Kelley, if I may, on that particular point, I would just be interested in what the Federal Reserve is doing specifically in this regard. You mentioned throughout your testimony that you rely particularly upon the theory of knowing your customer, which, of course, is very important and always has been.

But in these days when electronic transfers can be made so rapidly and can be made, also, not just rapidly, but in very complex ways, it seems to me that it is increasingly difficult to know your customer, particularly when you're dealing with these international transactions.

I'm wondering what we might be thinking about to try to promote ways in which we can know our customer better, those customers that might be trying to put something over on us and are operating in the international arena.

Mr. KELLEY. To the extent that U.S. banks are involved in this process or could potentially be involved in this process, I think that

they are doing a better job all the time of learning how to be more effective in this area. I'm going to look forward to learning more about what Ms. Hecker's study picked up as far as the European banks, because we're constantly trying to learn and to improve and I'm sure that there are ways that we can.

I think that knowing your customer is still quite possible to do in the sense that when a relationship with a new customer is established, you can go through various procedures. It is more difficult to monitor transactions which come across very rapidly and in huge numbers. But even there, there are new provisions that are going into place, as has been discussed here today, for record-keeping and enhanced ability to trace transactions ex-post.

But very candidly, it is indeed a problem in the electronic age to be able to effectively monitor the enormous numbers of very, very rapid transactions that take place.

Chairman LEACH. Thank you, Mr. Hinchey. Mr. Watts.

Mr. WATTS. Thank you, Mr. Chairman. I have no questions.

Chairman LEACH. Mr. Jackson.

Mr. JACKSON. Thank you, Mr. Chairman. I appreciate the opportunity to join you and the committee today as we attempt to shed light on the activities of organized crime in our national and international banking systems. I know that many of my constituents in the 2nd District of Illinois share my concern upon learning of the new ways that security of our financial institutions may be compromised.

The threats to the integrity of both international and national banking systems certainly have local implications. This is an issue that will no doubt affect American families and consumers.

I have listened closely for the safeguards which protect consumers in my district and across the Nation. I am particularly interested in learning of the impact of computerization and the globalization of our Nation's banks. With transactions on the Internet becoming more commonplace, I believe this committee must most closely scrutinize developments affecting security of both consumers and financial institutions.

Just as technological developments in telecommunications necessitated major legislation and legislative action to address those developments, we must not allow technology and those who abuse it to out-pace our vigilance.

My question really is an extension of what Mr. Hinchey just raised moments ago, and that is really how does the "Know Your Customer" approach address an environment which is approaching an era of less contact between financial institutions and customers, including PC-based banking. And I think we should take that question one step further by raising the issue that there is a broad-based industry in the financial industry that prides itself in not knowing the customer. These industries thrive in low income areas where banks do not do business or, in many instances, do not exist.

I believe it was Mr. Morris, in his testimony, on page 11, where he said new cyber-payment systems are coming on-line, some designed by brilliant entrepreneurs who know technology, but do not even come from the financial world. So, obviously, could less reputable entrepreneurs.

I'd be interested in hearing from members of our panel today what recommendations they could make before this committee so that this Congress and the legislation that we would propose from this body would put law enforcement on the front side of avoiding money laundering not only locally and nationally, but internationally.

Thank you very much, Mr. Chairman.

Mr. MORRIS. Let me take a first cut at that. It's a very thoughtful question. There are two parts to the question, as I see it. The first is that we have to look at a financial institution's, whether it's banks or non-banks, relationship with its customers differently. We designed, 25 years ago, a reporting system for currency that is founded largely on a teller providing information to the government at the counter on transactions above \$10,000.

Tellers are probably the weakest link in a traditional bank. They change; they're hard to train; and, indeed, it's not clear that they really know their customer and know their customer's activity. It is very unlikely that most tellers could actually identify significant suspicious activity. That has to be done back in the central part, the back rooms of where the bank has to operate.

Banks already have risk management systems and the like. I know the Bank of America and Citibank and some of the larger ones have developed software applications that begin to identify the transaction activities of their customers, unusual activity. What constitutes a usual transaction or cash activity in a McDonald's? And if you've got four or five of them that are doing \$20,000 to \$25,000 a week and you've one of them that's doing \$150,000 a week, that's unusual and the government should probably know that. We should work with the bank on that. But it has to be done in different kinds of ways.

And the second part of your question is also true, and that is particularly in the areas where we have the unbanked and they rely on other usually non-regulated services. We have to build a regulatory scheme that recognizes their uniqueness, builds certain obligations on them, but also recognizes that they're not large depository institutions. One thing that we say time and time again in our regulatory efforts is one size does not fit all. The check casher, who also is a money transmitter, who is doing regular business, is an honest businessman, can't be dealt with in the same way as First Chicago Bank.

Mr. KELLEY. A point or two that I would add, Mr. Jackson. You are quite correct that as technology evolves, the difficulty of knowing your customer is going to increase. But I don't believe that there is anything in that that really obviates the ability of banks to have a very good handle on who their customers are if they do appropriate diligence at the point of time where a relationship with a new customer is established.

We encourage site visits, where that's appropriate; background checks, where that's appropriate. And I think particularly relevant to your question, we would like our banks to have an understanding of what type of transactions they should expect to occur from a new customer relationship. They will get an answer back that either makes sense and they'll proceed with it, or else there will be

something there that makes their nose twitch and they will not proceed with it.

Then they should have and do have systems in place that would identify transactions that come across their books which are outside of the expected type of transaction that a given customer is expected to be involved in. And when that occurs, they are expected to investigate it and perhaps report it under the new reporting system that we've discussed a little earlier this morning.

So the "Know Your Customer" policy will continue to work, even though the means by which it is operated are going to definitely have to evolve as these relationships evolve.

Let me add one other point, and that is that the Federal Reserve is expanding its electronic format, whereby messages are transferred from one financial institution to another, to be able to accommodate a much larger field of information on those wires as they move. This is going to enable us to follow transactions through as they go from institution to institution.

There is a new rule being put into place by the Treasury which goes by the name of the Travel Rule, which is going to require that certain originating and ultimate destination information goes along with a funds transfer as it moves from institution to institution. So it will be much more difficult for a party with some illicit objective to be able to move funds through and lose the identity of their origination along the way. I think that is going to be a big step up.

Mr. JACKSON. Thank you.

Chairman LEACH. Thank you very much. Chairman Gonzalez.

Mr. GONZALEZ. Thank you very much, Mr. Chairman. First, I ask unanimous consent that I would be permitted to offer some opening statements.

Chairman LEACH. Without objection.

Mr. GONZALEZ. I had one question for Mr. Sims. It's clear from today's testimony that the problem of financial crime is, of course, international in scope. It is equally clear that to effectively combat international criminals government officials and law enforcement agents must work cooperatively with their foreign counterparts.

With that in mind, I was disturbed to learn from the GAO report that many foreign countries still refuse to share information pertinent to money laundering in investigations, despite international agreements. The question I have is that I understand that the State Department is now completing a 1996 assessment of worldwide money laundering.

I'd like to know if you have detected an improvement in the willingness of countries to share information in accordance with their international agreements. Two, what has the State Department done to encourage these countries to live up to their agreements? Three, what is the State Department doing to secure cooperation from countries that so far have not signed agreements with the United States?

Mr. SIMS. Thank you, Mr. Gonzalez. Let me take a cut at those questions. In fact, this relates to Mr. Morris' testimony, as well, and I'm sure he'll want to discuss these issues.

In terms of overall cooperation, there are a couple of areas that are problematic for the Department and, I believe, for law enforcement agencies, as well. Many countries require dual criminality, for

example. The offense must be criminalized in both countries. Some countries require that even for the sharing of information.

Where that is the case and a country has not criminalized money laundering generally or, say, that they've only criminalized narcotics-related money laundering, but not non-drug money laundering, that's a significant interference with the ability to cooperate.

There are additional problems that are country-specific. We are trying to approach this problem in a wide variety of ways, because, again, the differences among countries and the problems with individual countries differ quite tremendously.

One way is the President's money laundering initiative to identify the more egregious sanctuaries for laundered proceeds, to enter into specific negotiations with those countries to change that status. That's a process that Treasury is leading and I think is extremely important, because we're confronted with a range of quite serious problems. We are also trying to do that on a bilateral basis as these issues come up.

And as I said in my testimony, we are undertaking a number of initiatives, some in the training area, for example, to increase our ability both to get effective partners overseas, but also to make opportunities for our law enforcement officials and officials from other countries to work more cooperatively together.

We have a number of international fora that we're working in to improve cooperation specifically in money laundering and financial crime, including our G-7 countries, discussions along with the Russian Government; the Financial Action Task Force; the work in the Summit of the Americas and the like. So it's hard to specifically answer, because this is such a broad problem, but I think that's the range of approaches that we're taking.

I think it is the case that—and I believe Stan mentioned this in his statement at one point. There has been what I think is a sea change in terms of the international view of this problem. It struck me during the President's speech at the U.N., where he made the problem of money laundering and international crime a significant portion of the speech, his concerns were echoed by the Secretary General of the U.N. and that was something that, in my experience both at the State Department and as an Assistant U.S. Attorney, you just did not—you didn't hear that talk, that sort of recognition that this is a true national security threat and it's not just a problem for the United States.

I think that offers some ray of hope that the international environment is changing significantly. So I'd have to say that there has been progress, but there are still obviously significant problems.

Mr. GONZALEZ. All and all, is there an improvement in the willingness of those governments in accordance with the international agreements?

Mr. SIMS. I think it is fair to say that there is a net improvement. However, as I said, there are such significant obstacles that it's hard to make that a blanket claim.

Mr. GONZALEZ. What can the State Department do in itself to encourage these countries?

Mr. SIMS. Well, one thing we are attempting to do very aggressively is make this a priority for our foreign policy. Traditionally, the law enforcement component and law enforcement interests

were not considered. What we have tried very hard to do, and Secretary Christopher has really been a leader in this, is to make this an important element for our foreign policy. So that we're on the ground dealing with higher level officials, that they understand that this is a significant concern to the United States as a foreign policy and national security issue and not just, as traditionally has been the case, that these law enforcement concerns were local cop issues and why should we be dealing on a government-to-government basis. Certainly, that was the attitude with some countries.

So part of what we're trying to do is, both internally and in our dealings with foreign governments, to make it clear that that is a priority for the United States. I think that that has helped change or started to change this international environment.

Mr. GONZALEZ. Do you think that has helped to encourage these countries?

Mr. SIMS. That, plus the other range of initiatives.

Mr. GONZALEZ. They've entered into the agreements, have they not?

Mr. SIMS. Yes. There are several countries for which—I think that that is true, that we've had sort of problems with performance and previous commitments. There, as I said, we've got this range of responses that we're attempting to use.

Mr. GONZALEZ. What about those countries that have not signed agreements with the United States?

Mr. SIMS. There, as part of our overall initiative, the President's initiatives, we're targeting those countries to do just that, to have very specific—where we find sort of egregious money laundering and specific kinds of problems with country performance.

Once we have identified that range of countries, to open up a new round of negotiations to specifically do that. That's part of the initiative that Mr. Morris discussed and the Treasury is leading and we view that as critically important.

Mr. GONZALEZ. I believe some of the other questions I had have been anticipated. Thank you.

Chairman LEACH. Thank you. Mr. Flake, did you want to ask questions?

Mr. FLAKE. No, Mr. Chairman. I merely ask unanimous consent to have my statement placed in the record and since I was not here for the entire testimony, I will wait for the next panel. Thank you.

Chairman LEACH. Without objection, so ordered.

[The prepared statement of Hon. Floyd H. Flake can be found on page 87 in the appendix.]

Before dismissing the panel, I would like to ask just one question, because it relates to some legislative endeavors we're currently contemplating. As you all know, Interpol resulted from a 1929, I believe, counterfeiting convention. As we look at the international environment, is there a need for a new Interpol-like institution in financial crime or a division within Interpol or a new international arrangement that goes beyond the current international arrangements that exist?

Have you given thought to that? I'd like particularly Mr. Morris and Mr. Wankel to address this.

Mr. MORRIS. Yes, we have given some thought to this. If there was one point I was trying to make in my opening remarks, it was

that money laundering is very unique as an activity, at least in terms of how governments need to deal with it. It is not just an issue of law enforcement, as you can see by the panel here.

The bank supervisors have major responsibilities, in many ways as important as anything that can be done on the law enforcement side. Clearly, law enforcement has a major role. It's also a part of the foreign affairs issue. This became crystal clear in Secretary Rubin's efforts in Buenos Aires at the Summit of the Americas Ministerial Conference. I remember sitting with him, initially briefing him, and some of his staff who were concerned that there was kind of a varied group of representatives of the respective nations. It wasn't the normal meeting of finance ministers that Secretaries of the Treasury are used to dealing with. The Attorney General has the same problem.

You're dealing suddenly beyond the normal way that we conduct business. So it's not so easy to try to figure out a new convention to do that. The Financial Action Task Force comes as close as we have, because we have observers there from the United Nations, which plays a very significant role; from Interpol, as you point out, who just passed a resolution in Beijing in October on this subject; and from the World Customs Organization.

The representatives of the countries come from the central banks or the finance ministries and, in some cases, it's the only time they really come together to discuss issues. We've been trying to move to create a regional financial action task force. We have established one in the Caribbean. We're about to establish one in Asia and we've had some discussions with the Consul of Europe to try to do the same thing in eastern Europe and the former Soviet Union.

We have thought about a way of bringing what you're trying to accomplish, but this is more difficult because of the complexity of governmental entities that have to deal with it. If we come up with some order to do that, it's going to break down a lot of the existing barriers and that, I think, is much more difficult. But I think, clearly, the level of importance that this committee has evidenced both today and over the last few years, and Chairman Gonzalez before you, suggests that we should try.

I'm sure, that given the overview that GAO did and their effort, I would be surprised if they didn't feel the same way.

Mr. WANKEL. I agree completely with Mr. Morris. There is no doubt that we need to work hard as the U.S. Government with the various entities represented at this table, to increase the awareness and the cooperative efforts in the international arena. Whether or not establishing or proposing something along the lines of either Interpol on financial or a segment or something under Interpol, I don't know if that would become more a part of a problem as opposed to part of the solution. I don't know, given some of the history over there.

But it is something that has to, I think, measure, evaluate and consider what the options are, but I don't really have a position myself as far as a recommendation right now.

Chairman LEACH. Mr. Kelley.

Mr. KELLEY. Mr. Chairman, to the extent that you're focusing on law and/or legal and criminal interrelationships directly, it is a lit-

tle bit beyond my portfolio and I'm not sure that I have anything constructive to add there.

Insofar as central banks are concerned, I believe it has come out already this morning, that central banks are cooperating much more extensively in recent years and I think quite effectively. I would like to give some thought to and respond to you as it would relate to potential additional legislation that would help that process, but I am not immediately clear that we need any further legislative authority to be able to work more effectively with the central banks in our areas of responsibility.

Chairman LEACH. Good. Thank you. Well, I appreciate all of your comments. We are open to suggestions, informally as well as formally. So we hope we could have continued contact with each of your offices. Thank you very much. We'll take a 1-minute recess as the next panel comes up.

[Recess.]

Chairman LEACH. I would like to make an announcement. They have placed a vote on the floor and I think it would be wise, given the timing of the vote, and my apologies to the panel, but that we would recess, pending the vote, probably until 1:00. So we'll begin precisely at 1:00. The committee is in recess.

[Recess.]

Chairman LEACH. If the committee will reconvene. Our second panel will be of law enforcement and financial crimes experts. Our witnesses will be, from the Department of Justice, Mr. Mark Richard, who is the Deputy Assistant Attorney General, and Mr. Richard is on his way; from the Secret Service, Mr. Robert Rasor, who is Deputy Assistant Director, and, I might say, is particularly well-educated, having been a graduate of Iowa Wesleyan College, upon whose board I have served; from the Federal Bureau of Investigation is Mr. Chuck Owens, who is a Section Chief in the Criminal Investigative Division of the Financial Crimes Section; and, our fourth witness is Mr. Richard A. Brown, who is with the U.S. District Attorney's Office of Queens. You're welcome, Mr. Brown.

Why don't we begin, then, in the order we have it, with the Secret Service, Mr. Rasor.

STATEMENT OF ROBERT H. RASOR, DEPUTY ASSISTANT DIRECTOR, U.S. SECRET SERVICE

Mr. RASOR. Mr. Chairman, thank you for the opportunity to address this committee on the threat posed by organized criminal groups to financial systems and, I might add, also, to commerce systems and countless individual victims, both in the United States and abroad.

In your opening statement this morning, you made it clear that you and this committee have identified really the crime of the 1990's and beyond, that being organized financial crimes. We are extremely pleased to be here because as an agency that is fully engaged in that fight, we think it's a great opportunity.

I'm representing the U.S. Secret Service today in my capacity as Deputy Assistant Director for the Office of Investigations. I have with me today Mr. Michael Stenger, who is the agent in charge of our Financial Crimes Division; Rich Caruso and Craig Spraggins, who are also members of the Financial Crimes Division.

As you know, the U.S. Secret Service was originally established in 1865 solely to suppress counterfeit currency in the United States. Today, the Secret Service has investigative jurisdiction for a host of core financial crimes commonly used by organized groups to attack financial systems on a national and international scale.

The U.S. Secret Service has seen an emergence of several major international organized criminal groups, systematically attacking the financial systems through financial institution fraud, counterfeiting of U.S. currency, credit card fraud, advanced fee fraud, computer fraud, and telecommunications fraud. All of those violations are investigative program areas within the U.S. Secret Service in which we have accumulated specific expertise and ongoing proactive initiatives.

I have a formal statement that I would like to introduce for the record at this time and then I would like to go on and summarize some of those comments, particularly focusing today on identification of the groups, current trends of the groups, Secret Service response, and what we can do specifically about some of the problems.

Chairman LEACH. Without objection, your statement and the statement of all the witnesses will be placed in the record.

Mr. RASOR. Thank you, Mr. Chairman. In identifying the groups, it almost comes to a situation where you're reminded of trying to thank everybody in an audience and not being sure that you have thanked everybody, but you try. With that in mind, I'll mention some of the groups that are more prolific and more problematic.

At the onset, the Secret Service distinguishes between structured traditional organized crime, such as La Cosa Nostra, and what is now commonly referred to as organized criminal groups. These groups include Nigerian cells, Asian triads, Russian criminal networks, Middle Eastern organized crime groups, and South American cartels.

Other domestic groups have been associated along philosophical lines, such as Posse Comitatus, the Aryan Nation and/or white supremacist groups. Many of these groups do not follow prior patterns associated with organized crime in relation to structure. However, these groups do support themselves internally through ethnic association, while externally creating enclaves for criminal operations, both on a domestic and international scale.

It is apparent to the Secret Service that traditional investigative techniques are difficult to use and there needs to be new ways to deal with the organized and diverse criminal elements. In the trend area, probably one of the most common trends that we've been able to notice is that these groups have become experts in their criminal fields. In short, they do their homework on the financial systems and identify weaknesses in systems that allow them fraudulent access to millions of dollars.

The attacks and criminal successes of the organized groups are, more often than not, a result of careful planning, precise execution of the scheme, and ultimately taking advantage of financial systems originally designed to be consumer or customer-friendly. That will be one of the weaknesses that I'm going to talk about and some of the things that we can probably do to strengthen our resolve.

Many people still believe that white collar crime is an end unto itself. We have noticed that one of the trends is that that's not necessarily true. What these groups are doing, they're committing financial crimes in order to support a criminal lifestyle. We have noticed a very close association between these types of crimes and violent activities, such as murder, drug trafficking, extortion, purchase and exchange of firearms and explosives, money laundering, alien smuggling, car theft, and prostitution, just to name a few.

It must be understood that when we're talking about trends, although we may not specifically be talking about collapse of systems, we are talking specifically about responsibility for systems allowing massive fraud and massive funneling of monies into the criminal environments of this country and countries around the world.

I'd like to just make a couple of comments on the responses to the problems. The responses reminds me of another adage—there's just so many groups and so little time to discuss them. For this morning's presentation, I have chosen to talk about responses to two major areas of problems, that being in Nigerian organized criminal activity and Asian organized criminal activity, although there are many others and in my statement we have outlined those.

The Secret Service took a proactive approach in 1984 to West African organized crime by establishing and maintaining task forces throughout the United States whose focus includes the investigation of Nigerian perpetrated fraud. The Secret Service has task forces located in Boston, Newark, Baltimore, Washington, DC., Atlanta, Miami, Charlotte, Houston, Dallas, and Chicago. Members of these task forces include U.S. Customs, Immigration and Naturalization Service, U.S. Postal Inspectors, as well as members of local, county, and State police agencies.

Currently, the most prolific fraud scheme being perpetrated by Nigerian organized criminal groups is what is known as "advanced fee fraud" or "419 fraud." The 419 nomenclature refers to a Nigerian fraud statute that's used to make these activities illegal in Nigeria. Nigerians purporting to be officials of their government, banking system or oil export/import companies have mailed or faxed letters to individuals and businesses alike in the United States and around the world, enticing citizens to partake in million dollar windfalls, if they would respond with personal identifiers, such as social security numbers, bank accounts, and phone numbers.

The individual becomes a victim when they fall for the scheme and wire transfer fees up front to pay for the bribes, taxes, and legal fees, which the Nigerians have said must be paid prior to the deal being consummated.

I have brought today a number of examples of those, which I have sitting to my right, which we can discuss if you would have any questions relative to that.

It has become so prolific that the U.S. Secret Service has instituted an operation that tracks these letters and victims. There are currently over 20,000 entries in this database and indications that there are American citizens who have lost millions of dollars.

Americans have gone to Nigeria in hopes of recovering their money and have been found murdered after being reported missing.

It is interesting to note that in that database, I just did a quick check before I came up here, and we have cases, referrals or problems that touch every single member of this full committee. Each and every State has letters in that bin where their citizens are being attacked by this particular problem. So it's pretty large in scope.

On the success side in the response, just as an example, two of our cases most recent in the Newark area ended up with arrests and losses detailing \$5 million one case, \$12 million on another case. I have highlighted in my testimony murdered American citizens. What we have found is that this has turned to an ugly business. People from around the world are going to Nigeria and end up being murdered or missing. We saw that as a problem. So we created a pilot project in 1995, where we now periodically send agents to the U.S. Embassy in Lagos to assess the problem.

While they were there last time, they assisted in taking out seven Americans who were there for the purpose of being enticed into the 419 schemes and were probably in harm's way. The Embassy reported that before we started that process, they were seeing about 40 Americans a month coming into Lagos in search of answers to the question. That now has been reduced to somewhere around four per month.

We're most proud probably on the proactive side of the interdiction that we've done in this process. We've probably saved 400 people that we know of from becoming further involved in these schemes or putting themselves in harm's way. As recently as last night, I believe it was Houston, we took people basically off an airplane that had already lost somewhere around \$40,000, were ready to commit another \$70,000 to the process, and, again, probably would have been in harm's way.

In Asian organized crime, I've just put up two brief examples of what goes on relative to paper cases and plastic cases. One is called Operation Plastic Dragon. It's a case where Asian organized crime had successfully done about 65 million dollars' worth of damage through counterfeit credit cards. The other one is Paper Dragon, which is an ongoing case relative to the desktop publishing of counterfeit commercial and payroll checks around the United States. Losses in that case are somewhere around \$20 to \$25 million.

In addition to that, we have an ongoing case in Santa Ana that's called Operation Repayment. Kind of an interesting concept. The losses in that case were somewhere around \$40 million at the time of arrest and the banks and institutions involved believe those losses are going to soar to somewhere in the neighborhood of \$100 million.

The basic scheme there was they repaid or prepaid existing credit card accounts with bad checks. The way the system was designed, the system would credit that amount before it made a determination that the check was bad. In the meantime, they paid true account holders up to a 50/50 split to then go do cash advances on those cards. When it all folded in together, they all claimed bankruptcy. An interesting scheme.

That kind of highlights some of the trends, some of the activities of the Secret Service. I'd like to focus now on recommendations to the problem. The U.S. Secret Service believes the solution to the problem is found in one of the core responsibilities of the Department and the agency, and that is, in quotes, "protection of the U.S. economic and financial systems."

The Secret Service believes that our law enforcement role must and does transcend normal reactive arrest and prosecution responses. The proactive approach must be utilized to analyze defects and prevent attacks on financial systems. The U.S. Secret Service has testified before a number of committees during the last 2 years on the issues of financial and electronic crimes, counterfeiting of checks and currency, false identification, desktop publishing, and organized criminal activities in these areas. Our message remains the same.

We must collectively look at the systems that are being attacked and fix the systems in order to diminish criminal activity. The Secret Service employs a very successful process of linking risk analysis with our criminal investigations to not only arrest the individuals, but to identify the weaknesses or the cause of the problem and then, through either regulatory review or through business partnerships with industry, go back and actually fix these systems so we don't have repetitive type violations.

The Department of the Treasury promotes a concept of "Know Your Customer." We believe that concept, when applied correctly, is a tremendous deterrent to financial fraud schemes. The U.S. Secret Service, through previous testimony, has stated that biometric identification would be an even greater deterrent. It's important to not only know your customer. You need to know and protect your system.

As most financial crimes and losses occur by criminals assuming false identities and penetrating accounts with stolen access codes, biometric identification would be a solution to the problem. I am pleased to report that the financial community and the Federal, State and local governments are beginning to adopt biometric identification as a proactive solution to financial crimes and losses.

Bottom-lining out my comments, I would say that you've heard testimony here this morning from the first panel relative to regulatory discussions. A number of questions came up of what should we do about the problem. I would say this—these are smart crimes and we have to be smarter than the bad guy. Really, we are smarter. The representative group at this table today is clearly smarter than the bad guys. But collectively, what we have to do is focus our attention on how these crimes continue to occur and realize the seriousness of the crime is in the ability of this money to then be rechanneled into the violent criminal element in society here in the United States and around the world.

This is how the bad guys live. If we want to stop the bad guys, one of the quickest ways to do that is cut off their money supply. These things are not done as an end to themselves. They're done to proliferate a criminal lifestyle.

Finally, we must understand that there is a responsibility, both in government and in industry, to appreciate that problem. It's not enough to say that these losses become insignificant in the overall

scope and magnitude of commerce. What has to be realized is that there is responsibility to make these changes, to stop this type of activity, to protect the individuals on the street and to stop the violence that you see on television every night. That's how those things are accomplished. In short, we have to fix the system. Thank you very much.

[The prepared statement of Mr. Robert H. Rasor can be found on page 163 in the appendix.]

Chairman LEACH. Thank you, Mr. Rasor. Before turning to Mr. Owens, I would like to recognize the distinguished lady from New York, Mrs. Maloney, who has a conflicting circumstance.

Mrs. MALONEY. Thank you, Mr. Chairman. I have an unavoidable time conflict, but I would like to have the opportunity to publicly recognize and thank Mr. Brown, Queens' District Attorney, my own District Attorney, for cracking the credit card fraud ring operating in New York City. I would like to request, Mr. Chairman, if we could put the indictment in the record and I just wanted to thank you for all that you have done. We are very proud of you in New York City and the Nation is, too. Thank you. Thank you, Mr. Chairman.

Chairman LEACH. Thank you, Mrs. Maloney. We appreciate it. And when you say he's your District Attorney, you're not saying it in the way that the cabinet is saying they have their own.

Mrs. MALONEY. Well, he represents me and he does a fine job.

Chairman LEACH. Yes, very well.

Mrs. MALONEY. And working on this particular problem that we're looking at today.

Chairman LEACH. Thank you. We will turn to Mr. Brown, but first, Mr. Owens.

STATEMENT OF CHARLES H. OWENS, SECTION CHIEF, CRIMINAL INVESTIGATIVE DIVISION, FEDERAL BUREAU OF INVESTIGATION

Mr. OWENS. Thank you, Mr. Chairman. It's a pleasure to appear before this committee today as a representative of the FBI as you discuss emerging financial crimes and organized criminal groups.

This committee is well aware of the extensive commitment of the FBI to the investigation of white collar crime, which is the FBI's largest criminal investigative program. At present, the FBI has over 22,500 active investigations in the white collar crime program, which is an extremely diverse program, addressing not only financial institution fraud and national and international fraudulent schemes, but health care fraud, governmental fraud, bankruptcy fraud, environmental crimes, computer crimes, and money laundering.

Our current assessment of the financial institution crime problem is that while the institutions were suffering from insider problems in years past, the extent of outsider fraud has been rising in recent years. These outsider frauds, which are victimizing financial institutions as well as other businesses and individuals, include negotiable instruments fraud, and credit card fraud. Money laundering is also of growing concern as criminals devise new and complex ways to disguise and make use of proceeds of criminal activity and computer crimes will challenge law enforcement for years to come.

Of particular interest to the FBI is the high incidence of organized criminal groups perpetrating such crimes in the United States and from outside the United States. Numerous cases have been investigated by various FBI field offices in which counterfeit negotiable instruments, such as prime bank notes, certified money orders, and bonds, purportedly issued by foreign governments have been utilized.

While the attempted use of counterfeit negotiate instruments in various fraud schemes has risen in recent years, many of these attempts, fortunately, result in minimal actual losses. When losses do arise, working with the U.S. Attorneys and other agencies, as appropriate, the FBI is aggressive in pursuing such matters. As an example, the FBI's New York Field Office has utilized various investigative techniques in one operation, code named Prime Note, investigating multiple criminal groups, many with international connections involved in stolen and counterfeit negotiable instruments, bank fraud, credit card fraud, and money laundering.

This operation has resulted in 79 arrests and 42 indictments, with \$2 million recoveries and \$6.75 million in losses prevented. In Operation DERAILED, in the northern district of Georgia, the FBI and IRS, along with other agencies and local police departments, investigated an organized group which had relocated to the Atlanta area from New Jersey and was involved in multiple types of financial crimes.

This group recruited bank employees and others to assist in negotiation of counterfeit and stolen checks, credit card fraud, telemarketing fraud, insurance fraud, and other crimes. The total losses attributable to this group exceeds \$10 million and to date 20 individuals have been convicted.

In view of the increasing incidents of international financial crimes, the FBI has taken steps to improve our ability to successfully prosecute offenders. The key to success in combatting international crimes is developing close working relationships with foreign law enforcement. The FBI has recently added legal attaches in several foreign countries, including Russia, and has representation in Beijing, China.

By agreement between the governments of the United States and the United Kingdom, the first-of-its-kind joint investigative team, comprised of FBI agents and British police officers, has been established, working from the Miami FBI office, addressing financial crimes in the British dependent territories in the Caribbean. The FBI is also providing direct assistance to certain countries in financial crimes investigations impacting multilaterally.

One such matter we are conducting, as requested by the Department of State, is the investigation of a major bank failure in the new Latvian Republic. Just 1 week ago, the FBI coordinated strategy sessions held in Germany with law enforcement from five countries involved in this investigation.

Computer crimes, principally threats to the national information infrastructure, are a high priority of the FBI. We have established dedicated regional computer crime squads in Washington, DC., San Francisco and New York, and the Director has recently approved the establishment of the Computer Investigation and Threat As-

assessment Center to coordinate computer crimes investigations, including those which impact national security.

I also noted in the earlier testimony that Congressman Royce asked about the Citibank case and while I didn't have it in my initial remarks, I can certainly respond to that, if you wish.

But let me close by saying that the FBI's efforts to combat emerging financial crimes inside the United States and outside its borders are extensive. I look forward to responding to any questions that you have.

[The prepared statement of Mr. Charles H. Owens can be found on page 179 in the appendix.]

Chairman LEACH. Thank you, Mr. Owens. Mr. Brown.

STATEMENT OF RICHARD A. BROWN, DISTRICT ATTORNEY, QUEENS COUNTY, NEW YORK

Mr. BROWN. Thank you, Mr. Chairman. I thank you and your distinguished colleagues for the opportunity to be here today.

As the District Attorney of Queens County in New York City, I represent a constituency of almost 2 million people. I have the responsibility of prosecuting some 60,000 arrest cases every year and, in addition, I have a rather significant investigative role in such areas of criminal conduct as narcotics trafficking and organized crime, labor racketeering, economic crime, and criminal activity at both Kennedy and LaGuardia Airports, which are located in our county.

I furnished your staff with copies of my formal testimony and I'm pleased that you are good enough to incorporate those remarks in your record. In the brief time allotted to me this afternoon, I want to try, if I can, to summarize that which is contained in that formal submission, which deals with a national problem of growing, indeed alarming, proportions; namely, credit card fraud and the financial abuses that arise therefrom. I would also like, if I might, to respectfully suggest how it is that I believe that we might at least partially respond thereto.

I have with me Senior Executive Assistant District Attorney for Investigations in my office, John M. Ryan, and the Chief of our Economic Crimes Bureau, Mike Mansfield, and Jeff Horblitt, who is an Assistant District Attorney with our Economics Crimes Bureau and, I would note, a former member of the Bureau.

Let me just take you back, if I might, for just a couple of seconds. Last September, we arrested a woman who was attempting to use a counterfeit credit card to purchase a fax machine and a computer. Store employees suspected that the card was counterfeit, notified the authorities, and rather than simply charge her with attempted grand larceny and put her into the criminal justice system, she was debriefed and an investigation was conducted, an investigation that ultimately led to an apartment on a quiet residential street in Queens County.

Pursuant to search warrant, a team of investigators from my office, the U.S. Secret Service, the U.S. Postal Inspection Service, New York City Police Department, raided that apartment and we, I think all of us, I was there that evening, were absolutely amazed with what it was that we found.

We found in that apartment hundreds of counterfeit and stolen Visa, Master Card, Discover Card, American Express credit cards. We found stacks of plastic cards in various stages of being counterfeited. We found hundreds of U.S. Postal Service change-of-address forms, holographs, magnetic tape, all kinds of other equipment used to manufacture counterfeit credit cards, including an encoding machine, which is used to insert data on a magnetic strip that is contained on the card, an embossing machine that presses out the raised letters on credit cards, a tipping machine for applying the gold colored ink to the raised letters.

We also found quantities of access numbers for credit cards, bank accounts, as well as computers and cell phones, beepers, a great deal of personal information about people all over the country, some of which was stored in computerized databases that were contained within the apartment.

Following that raid and the accumulation of all of that evidence, we put together a team of experts and we began, over a 5-month period, to go through every invoice, every credit statement, every change of address form that we had acquired, all of the records found in the apartment. And as a result, earlier this month, we were able to file, in the Supreme Court in Queens County, a 200-count indictment under New York's Organized Crime Control Act, which is the equivalent of the Federal RICO Act, which charges eight Nigerian nationals with operating a multi-million dollar counterfeit and stolen credit card ring out of that apartment, a ring that specialized in the theft of credit identities of thousands of individuals across the United States and that had contacts throughout the entire world.

Just to try to briefly explain to you how it is that this ring operated, as we have alleged in this indictment, let me just say that, in the first instance, these ring members take advantage of their positions as employees of retail establishments. They steal credit card receipts and invoices. They take the names, the addresses, the credit card numbers of their customers off those invoices.

The search warrant, for example, in our case, produced boxes upon boxes of invoices stolen, for example, from a Watertown, Massachusetts appliance store, a storage facility of Budget Rent-a-Car up in Warwick, Rhode Island, from a Shell gasoline station in Evanston, Illinois.

We also found that the stolen credit card receipts and invoices were delivered to others within the ring and they, in turn, would go out and obtain additional data about the cardholder. They'd gain access to his or her credit identity and with that information, they'd go ahead and make up fake photo ID cards and driver's licenses, all of which were used to obtain and purchase goods and services.

And they didn't stop there. They just kept going on and they'd get into the credit reporting services, like Equifax or TRW. They'd go to a mortgage company, they'd go to a car dealership, and they'd begin to accumulate other credit accounts, learn additional personal information, data that is contained within the kind of credit background check, and then the information is, again, used to create all of these other means of identification and the ability to get into credit card accounts.

Another tactic that was used with great frequency was to divert the cardholder's mail to mail drops in other cities that were controlled by the ring in order to obtain information about their victims. This was done simply by filling out and submitting a forged U.S. Postal Service change of address form at a local post office, based upon personal information that they had gathered about their particular victim. No identification is apparently required by the Postal authorities to change your mail address.

Indeed, these change of address forms can simply, as I understand it, be mailed to a local post office. The mail will be intercepted and it will be diverted to another address or to a post office box or a mail drop that's rented by the thieves in other cities.

Another thing that they do is they are very much involved in stealing valid credit cards, pre-approved credit from the mail or in batch thefts. For example, in our case, in that apartment were many Bank One and AT&T Universal cards that were stolen from the airport at Houston, Texas in 1995. And once in the possession of a victim's mail or their stolen card, the ring members can readily activate the cards. They can request new PIN numbers on existing cards. They could access the victims' funds to the extent of their credit limit.

Another example that I would tell you astounded me was the fact that they're into the theft of credit information directly from financial institutions. In our case, for example, we found computer sheets that were stolen last year from the Chemical Bank in New York City, on which appear the name, the address, the social security number, the personal data, the credit limits, the tracking information, and the PIN numbers for Chemical Bank Visa and Master Card holders. That information on those computer sheets, believe it or not, just the stuff that we seized, provided access to some \$600 million in credit.

So that gives the committee some idea of the size and the magnitude of the problem. Worldwide, it's estimated that credit card fraud right now is running about \$3 billion, half of that in the United States. Of course, the damage is irreparable and particularly the victims of credit card fraud, because it takes them months and oftentimes years to restore their own credit status and their own reputations.

While the industry seems to have taken a number of steps in recent years to cut down on credit card fraud and certainly the law enforcement community has been doing its share, I would argue that there is much that remains to be done, and I would like to just run through a couple of quick thoughts that I have in terms of things that can be done.

I think, first and foremost, the U.S. Postal Service should be required to immediately take action to prevent the fraudulent diversion of mail. The Postal Service, I would argue, makes it relatively easy for credit card thieves to divert mail today. These change of address cards can be sent in by mail with no questions asked. No personal appearance is required, no photo ID is required. The post office will simply go ahead and forward your mail, including your bank statements, your investment account reports, your credit card bills, pre-approved credit, which is out there in great numbers, to

whatever location or whatever mail drop the thieves ask that it be sent to, and no questions are asked.

It seems to me that we've got to do something more than what is being done at the present time in that regard. And I have, I think, a relatively simple solution and I can't quite comprehend why it can't be done, and that would be simply to require a personal appearance with proper photo ID or other means of identification before we go ahead and allow somebody's mail to be diverted. And thereafter, I would suggest that the Postal Service can send out a confirmation notice to the consumer, asking that he or she confirm, in writing, the fact that they want their mail sent to another location.

That, together with a number of the other suggestions that I've made that are contained in the testimony that I have provided you with, are things that I would argue ought to be done. There are a number of other suggestions that are contained in my formal testimony, educational initiatives, for example, to help legitimate merchants and their employees to spot counterfeit cards, strengthening our efforts to deter deported criminals from reentering the country.

The lead defendant in our case, for example, was deported in 1992, after a previous criminal conviction for credit card fraud, and he was able to return to this country about a year later under an assumed identity and I have little doubt that his trip was paid for on a stolen or a counterfeit credit card or perhaps with frequent flyer mileage that had been accumulated on a legitimate card.

Most importantly, I would argue that we have somehow or other got to change the mind set of the credit card and banking industries and that of the consumer, as well. It seems to me that security enforcement is taking a back seat to those who market and use credit cards. The view seems to be that if we tighten security too much, if we make it more difficult for the consumer to use his or her credit card, the card will be used less, that the losses from credit card fraud can easily be absorbed as long as credit cards are easy to acquire and to use, as well.

The other thing, of course, that is most disturbing is in terms of where all of this is going. It's now reached the point where it is no longer just credit card fraud. Last Sunday night, CBS Television's "60 Minutes" program reflected upon this particular problem. They found a staff doctor at the Mayo Clinic in Rochester, Minnesota and not only was she the victim of credit card fraud, but they found a way to tap into her retirement fund, to her doctors investment account, and they even went so far as to access her daughter's college fund.

So this whole problem is growing. I would argue that all of us have an obligation to see what it is that we can do, more than we're doing at the present time. Certainly, our colleagues in the law enforcement community, some of whom are here today, have been most helpful to us and we to them. We've put together teams of people in an effort to go ahead and aggressively investigate and prosecute these kinds of cases and we must continue to do that. With the assistance that we've been getting of late from the credit card and the banking and the financial industries, with the support of your distinguished committee, Mr. Chairman, I'm confident that

we'll be able to do a great deal more as people begin to understand and realize the depth of this problem.

[The prepared statement of Mr. Richard A. Brown can be found on page 198 in the appendix.]

Chairman LEACH. Thank you very much, Mr. Brown. Mr. Mark Richard.

STATEMENT OF MARK M. RICHARD, DEPUTY ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE

Mr. RICHARD. Thank you very much, Mr. Chairman. At the outset, Mr. Chairman, members of the committee, let me apologize for my late appearance. I was unavoidably detained north of the city.

As Deputy Assistant Attorney General in the Criminal Division of the Department of Justice, I have principal responsibility for overseeing the criminal enforcement effort directed at, in particular, international organized crime and international law enforcement problems. In that capacity, I have the opportunity to deal and witness both the strengths and the weaknesses of our relationships within foreign law enforcement agencies and foreign governments in their efforts to respond to all of the manifestations of international organized crime.

With your permission, Mr. Chairman, I'd like to just summarize some points and submit my formal testimony for the record.

Chairman LEACH. Without objection, of course.

Mr. RICHARD. In approaching this problem, I would suggest that we might analytically look at it in terms of efforts to prevent and deter, efforts to detect, efforts at investigation, prosecution, and then punishment. I would suggest we have deficiencies at all levels along this spectrum.

I would like to highlight one area where I think we are dealing with new problems, problems that we have never before encountered and problems that we all have to come to grips with if we're going to respond to the full dimensions of the problem. That is responding to crime, organized crime, very sophisticated crime, generated through or involving foreign institutions, foreign public officials, and foreign transactions.

And how do we respond to that in the context of the realities that we are encountering, whether it be in eastern Europe, in Russia, South America, Asia? These are, I suggest, challenges that are facing the Nation—in particular, the law enforcement community—as never before, and I look forward to working with the committee in responding to those challenges in the years ahead.

We must recognize that with respect to developing countries especially, we are dealing with oftentimes weak and corrupt judicial systems, as well as poorly equipped and trained police forces. These systems and institutions are easy prey for organized criminal groups.

Similarly, countries facing difficult transitions into democracy and privatization, coupled with advances in technology, are ripe for exploitation by organized criminals. The results not only increase the instability in these countries, but, unfortunately, increase risk of crime reaching our shores, and our inability to respond to it in an effective way, not only to deter, to detect, but also to investigate

and, very significantly, bring to justice the culprits. International cooperation is crucial to combatting this phenomenon.

One of the most important steps we must take in fighting these international financial crimes is increasing our efforts to assist and train foreign law enforcement officials. An added benefit through this process is not only the training that we convey and the expertise that we communicate, but it's also the establishment of regular channels for exchanging information and to identify the members of institutions that are competent, that we have confidence in, and that can assist us in developing cases that ultimately we can bring into court and prosecute.

In this connection, the FBI and the Drug Enforcement Agency, together with our colleagues at the Treasury Department, are all involved in extensive police training throughout the world. We have embarked on a very significant effort in establishing an international law enforcement academy in Budapest to provide such training, especially to mid-level managers in eastern Europe.

I would also like to highlight what we have been doing and, in particular, our efforts to create a network of mutual legal assistance arrangements with eastern Europe and the newly independent states. Earlier this month, we concluded a formal mutual legal assistance arrangement with Russia to provide a mechanism for exchanging information in such a fashion to enable us to go into court with the information and produce in the course of prosecution.

We are engaging in negotiations with various other countries in order to accomplish that. We are also examining those countries where we can begin to consider enhancing our existing extradition relationship, as well as to establish new relationships where their country's judicial system warrants such a relationship.

We have an enormous challenge before us. It is a challenge that has multiple aspects to it and there is a high degree of urgency to it because we are, admittedly, all very vulnerable at this time.

Thank you, Mr. Chairman, and I'd be glad to answer any questions you may have.

[The prepared statement of Mr. Mark M. Richard can be found on page 207 in the appendix.]

Chairman LEACH. I want to thank all of the panel for their excellent testimony. Let me just begin with this problem of international cooperation. Do you think there is a case for the establishment or upgrading of Interpol for financial crimes or the establishment of a new international institution? Does that make sense to you? Mr. Richard.

Mr. RICHARD. Mr. Chairman, that is an excellent question and one that we have been addressing in a variety of fora. It is apparent that we have to establish a more productive exchange base with these countries. There are several structural options that appear to be possible for doing this, and the utilization of Interpol is one of the possible mechanisms that we are considering.

The difficulty, of course, that we have to be concerned about is not only the rapidity of the communication network, but also its security, its ability to ensure that the appropriate agencies get the information in a timely way, and that we have the ability to, in effect, manage dissemination of information that we put into the system.

So I can't give you a definitive answer at this time, but it is an area that we are, I think, collectively looking at and will be examining very intensely in the months ahead.

Chairman LEACH. Does anyone else want to comment on that?

Mr. BROWN. Well, I don't know that I'm sufficiently expert in terms of international matters, but I would tell you that in our particular case, we found that the members of this ring, this credit card—the stolen credit card and counterfeiting ring, had contacts in London, in Amsterdam, in Singapore, as well as through many of the States of the Union.

As a matter of fact, some of our credit cards showed up at the airport in London. Scotland Yard was involved in our case in helping to put it together.

So I have little doubt, in my own mind, that the problem is not just a localized problem, by any stretch of the imagination. Certainly this is one of the reasons why I'm so delighted that we have the kind of relationship that we do with all the Federal law enforcement agencies in Queens County and we're all on the same page and we all seem to be working together and doing so well.

Mr. OWENS. I would just say, Mr. Chairman, that you may be aware that there is a financial crime section or directorate within Interpol in Leone and I know they have greatly expanded the training that they have conducted over the last several years in an attempt to acquaint police agencies from around the world with some of these new and emerging crimes, and certainly that has been helpful.

But I think there is also discussion ongoing about whether or not that might be an appropriate vehicle to facilitate the exchange of information.

Chairman LEACH. How many people are involved?

Mr. OWENS. Unfortunately, it's a fairly small section right now, but I think there is a recognition there and certainly—

Chairman LEACH. You're talking about half a dozen people.

Mr. OWENS. Yes, it's a small amount. But the more important thing would be the facility to exchange information, if that can be appropriately equipped.

Mr. RICHARD. Mr. Chairman, may I?

Chairman LEACH. Yes.

Mr. RICHARD. One of the models that is under consideration is utilizing a joint FinCEN-Interpol linkage as a possible structure for disseminating—for receiving and disseminating within the U.S. law enforcement community, financial information abroad.

Like I said, it is a possibility that is being closely examined by the agencies.

Chairman LEACH. Let me ask—and I'll come back to some other questions—but a very precise couple of questions. It's been alleged that, going to specifics, that the former President of Mexico, Mr. Salinas, transferred money illegally out of Mexico during the peso crisis. Is that under investigation?

Mr. RICHARD. Mr. Chairman, it is difficult for me to comment on the matter.

Chairman LEACH. Excuse me. Let me be precise. His brother. But go ahead.

Mr. RICHARD. Again, as you know, the Department of Justice doesn't identify active ongoing matters or comment on them one way or the other in a public forum and I'd appreciate not having to respond at this point. We are in communication with the Mexican Government on the matter.

Chairman LEACH. Well, I have some more questions, but I'd like to turn to Mr. Vento.

Mr. VENTO. Thank you very much, Mr. Chairman. I specifically want to commend my colleague, Richard Brown, the District Attorney of Queens. I know that my colleague will have some comments but I took a little of your information, "60 minutes," and put it in the record. I don't think the members necessarily were following that as closely.

But I would point out in that case that the Postal Service not only did not use a standard of care, the individual actually that signed it and got the mail transferred signed the name incorrectly. Not only didn't they ask for a photo but the common practice is, of course, to mail back to the former address the fact that there had been an address change. But very often, that is defeated by the fact that we do it so late in the cycle that in fact we are not there to receive it.

In this case, there were other complicating factors; I don't know what they all are. But one of the issues was that the constituent, this Minnesotan, not my constituent but one from Rochester, called the FBI on two occasions and was told that since it didn't involve a crime of over \$50,000 that the FBI would not be involved in it, would not get involved. Mr. Owens, do you have any comment about that? Is there some statutory limit or is that a policy decision?

Mr. OWENS. Well, most of the judicial districts have prosecutive guidelines and typically investigators react to those. Many times early on in an investigation it is difficult to determine the extent of the crime. I think in order to respond specifically, I would have to know exactly what was conveyed at that time.

Mr. VENTO. No, I know. I mean, you may want to add to it, but I want to—it would be likely that someone would say if it is not over a certain amount, you know. One of the problems they faced, they called New York said, well, we got all sort of violent crimes, we haven't got time for this white collar crime type of thing.

Mr. OWENS. Typically, though, the U.S. attorneys have a certain amount of discretion there. I mean, if it is an insidious type of crime, if personal injury, if a major skill is involved. Sometimes they will consider. Again, it is very difficult early on in an investigation to determine the scope of the problem.

Mr. VENTO. Well, I mean, these, I think, we are looking at the tip of the iceberg here.

For one thing, Mr. Chairman, I think one of the problems that handicaps this entire issue is that banks sell safety and soundness, they don't sell vulnerability. They don't sell, you know, that you are going to get electronically mugged. I mean, it has been noted here and, in fact, of course, what the efforts that were so far this year was to increase the penalty for the liability to the individual on a debit or credit card and remove it from the bank so they could market it, you know, more broadly. We are not talking about fraud or

someone that did something wrong and that was, fortunately, defeated in this committee.

But that's the problem, I mean, that we are facing in terms of what standard of care should a consumer use? I mean, I don't think that they know it. I can give some suggestions here.

I recall myself losing a couple of cards including a Bell Atlantic card, Mr. Chairman. And so I called up the Visa and they took care of it. And I called up Bell Atlantic, it was late on Friday, they said, call back Monday. Of course, I suppose they don't have such things as voice mail and other products that they are so eager to sell to everyone else, you know! I was a little perplexed. But, I mean, it's the truth. I mean, that's the East Coast. That's all of you that are out here. If you lose that card, good luck.

You know, and you point out the rise in this amount like from 1.6, it is maybe one-third of 1 percent, but if it happens to you, if you get electronically mugged, you know, your credit rating is up in the air for days. In fact, of course, this particular woman, they were successful in withdrawing \$15,000 from her retirement account but the check went back to her Rochester address, not to New York. But that saved her from losing that \$15,000 but, to me, it is an indication.

I mean, my question is, how many people have you prosecuted. How many convictions do we have with regards this? You know, all of this attention on money laundering and so forth because that's where the laws are, but nobody is talking about some of the other issues.

Now, you are suggesting that there are certain inhibitions because of national concerns and autonomy and so forth but the fact of the matter is that you know within the context of what we are talking about here that basically a lot of places are eating this particular loss. And it is affecting consumers. It is affecting the very solvency of the system. I would say the validity and integrity of the entire financial system is what's at stake here.

And how many prosecutions, Mr. Owens, has the FBI been involved with, with this? Mr. Brown, I commend you for putting this together but this is atypical, I suspect. Mr. Rasor, Mr. Mark Richard, you commented, I paid close attention, good testimony, lots of plans, you know, everyone is going to cooperate and collaborate, you know. How many prosecutions have we got?

Mr. OWENS. If I can comment there, I believe my statement gave some specific figures on prosecution. They were overall figures for the white collar program. But one of the things it also mentioned was, and I said in my introductory comments, that we have 22,500 cases under investigation now. We also have in the range of 4,000 cases where the losses exceed \$100,000.

Mr. VENTO. Do we have underreporting in some of these losses?

Mr. OWENS. I'm sorry?

Mr. VENTO. A lot of financial institutions, credit card companies, financial intermediaries eat this?

Mr. OWENS. Many times they do.

Mr. RICHARD. Historically, I mean, this, Mr. Congressman, has long been a problem in this field of underreporting, and, as you pointed out, there is an incentive for many of these institutions not to, if you will, bring this to the surface. Obviously, without regu-

latory requirements there would be a greater incentive not to report it in many instances.

So underreporting, or hesitant reporting, has been a systemic problem in this area but, if I may, I would just add to Mr. Owens's comments that in setting prosecutive guidelines, U.S. attorneys have been encouraged to work with their State and local counterparts to draw up a comprehensive response capability so matters like this don't fall between the cracks, if you will. I am not suggesting they don't, but at least that is not just done in a vacuum and an effort is made to—to devise a comprehensive district response.

Mr. VENTO. I have no doubt about the good intentions of public servants that are serving with limited dollars in terms of trying to accomplish what we are doing but, you know, I mean I am just talking about the reality of what's happening. You know, we have to at least address that and, you know, anyone can guess right or wrong in terms of this. That's a synch. But Mr. Chairman, I just think whatever the tools are that are necessary, I think as an example in the international scene is we simply have to set a standard and say if you don't meet that in Italy or if you don't meet that in France, we are going to treat it accordingly. You are not going to be able to deal with us. That's the problem.

And I think we need to step up to it and deal with this because in my estimation it is the sort of activity that is worrisome, especially in emerging democracies. I think Mr. Richard's testimony, Mr. Chairman, is right on in terms of causing an elemental weakness in the entire economy based on that type of activity that is persisting and we have to, obviously, do something to safeguard it.

Obviously, adequately funding the State Department and others that are involved would be a good start. But, Mr. Chairman, I appreciate your tolerance of my going over time.

Thank you.

Chairman LEACH. Well, thank you.

Mr. BROWN. Might I, with your permission, Mr. Chairman?

Chairman LEACH. Of course, Mr. Brown.

Mr. BROWN. I alluded in my testimony before to something that I know troubled me as we were putting this case together and that is the level of frustration amongst the security people, if you would, within the banking and credit card industry, with the marketing people on the other side, all of us, for example, I mean, we get these preapproved credit forms in the mail. It seems to me that the industry wants to make it as easy as it possibly can be for you to use your card or me to use my card. I mean, I've heard stories for example that Gold cards are not to be challenged by cashiers in terms of identity of a particular individual, simply to allow the card to be used in commerce.

And what seems to be happening here is that, you know, the theory is, you know, if one card out of 10 is counterfeit or stolen, so what, we'll go ahead and absorb it in the nine other cards that are used to make purchases. And that is terribly, terribly frustrating, I think, to all of us. I think there has got to be a much greater balance within the industry as between security and fraud control as against those who market the cards.

Mr. VENTO. Mr. Chairman, I would point out but for the fact that this Congress said you can't send these cards out through the mail

without application or without formal financial relationship, they would be coming in the mail unsolicited. But Congress decided that they had to bar that practice.

Chairman LEACH. Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Yesterday, my oversight committee held a hearing on counterfeit and I didn't have time to ask a question and I would like maybe to see if any of you has done any work with Interpol?

Mr. RASOR. In terms of actually having investigations conducted?

Ms. VELAZQUEZ. Yes, financial. International financial crimes.

Mr. RASOR. To some extent, yes.

Ms. VELAZQUEZ. Have you ever heard anyone say that Interpol has a problem with information leaks?

Mr. RASOR. No.

Ms. VELAZQUEZ. OK, thank you.

Well, now I would like to ask some questions to my district attorney from Queens. I just also would like to thank him on behalf of the New York Congressional Delegation that sits on this panel and particularly to acknowledge the creative way in which he has been fighting financial crime in the county of Queens despite the limited resources and assistance that he is getting from the Federal Government.

Mr. Brown, I would like to ask you, are there financial crimes other than credit card fraud that pose significant problems for your county?

Mr. BROWN. I think the biggest one is one which has been alluded to here today, and I am sure in your hearings of yesterday, that is the basic money laundering problem. I mean we, in Queens, for example, have what has often times been called the cocaine capital of the world in the heart of Queens, Jackson Heights, Corona, East Elmhurst, areas such as that, a portion of which you represent, and we have been spending a great deal of time and a great deal of effort, together with all of our colleagues in the law enforcement community in targeting narcotics trafficking.

Last year, as a matter of fact, over a ton of cocaine was taken off the streets of Queens County and, of course, in addition, we have the problem that arises out of the presence within the county of Kennedy Airport where large quantities of narcotics come in and, as a matter of fact, last year I was told by Customs that the amount of heroin seized, heroin now, at Kennedy Airport was greater than in all of the other airports of the United States combined. That perhaps gives you some idea of the magnitude of the problem, of the narcotics problem.

But it has only been recently, it seems to me, that we have been reflecting upon the fact that all of this—all of these narcotics are coming in and they are being sold on the streets of not only our communities but throughout the entire United States and, of course, the money has got to go back out. You know, we in Queens have had just—I was just looking the other day at the number of seizures that we have had of money, and I have a little list of them here, \$2.1 million in a Jamaica apartment, car stops \$210,000, \$199,000, \$800,000 was seized on a street in Corona, in your district, last August. November 9 we confiscated \$1.3 million from a Bayside car stop which led into an apartment. We seized, just off

the Grand Central Parkway near LaGuardia Airport, only recently, \$478,000, and 2 weeks ago we got \$514,000 out of a car.

We, out of Queens County last year, particularly out of Kennedy Airport, seized \$10 million. We, the law enforcement community, Federal, State, local. As a matter of fact, just earlier this month, we announced the seizure of \$4 million in cash at Kennedy Airport that had been secreted in a shipment of household goods bound for Cali, Columbia. So, obviously, the whole issue of money laundering is one that all of us are taking very, very seriously and trying to get a handle on.

Ms. VELAZQUEZ. And one way that that money is sent abroad is through monies transmitted?

Mr. BROWN. Yes.

Ms. VELAZQUEZ. What recommendations, Mr. Brown, do you have for addressing the problem of money launderings in Queens or in any other part of the Nation?

Mr. BROWN. Well, one of the things I think that, again, troubles us is the fact that while we have registration now of these telecommunication entities, if you will, that that registration does not flow down to the subcontractors. Just, for example, if I had a real estate license, everybody that worked for me would have to have a license off my license. That apparently does not happen under your existing legislation. So I would argue that one of the things we could do is, we can go ahead and think in terms of registering the individuals beneath the major player in terms of those monies.

Of course, the entire problem is one, again, that so often a local prosecutor is just ill-equipped to go after without being part and parcel of a team, if you would. Just as we have a Federal High Intensity Drug Trafficking Team [HIDTA], for example, that has responsibility for narcotics trafficking in particular areas, the high-intensity drug enforcement units that are combining people from all of law enforcement, the DEA and the FBI and joint task forces, the NYPD, and so forth. We get ourselves involved in them, we do a lot of eavesdropping warrants for them, and so forth. I would argue that that concept, that basic team concept, ought to be extended to the area of money laundering as well. With that and, obviously, some funding for that kind of a team approach, I think we can get a much better handle on the problem.

Ms. VELAZQUEZ. Thank you, Mr. Brown.

Mr. Chairman, I would like to ask unanimous consent to insert my opening statement into the record.

Chairman LEACH. Of course, without objection.

Mr. Royce, and I apologize I skipped over you in the order.

Mr. ROYCE. Thank you, Mr. Chairman.

I just wanted to ask, in a previous committee we heard from Arnold de Borchgrave who gave testimony that FBI Director Louis Freeh had cited that Russian organized crime has established relations with counterparts in 29 countries, and operates in 17 U.S. cities and in 14 states here, and I would like to ask Mr. Owens and Mr. Rasor to what extent has Russian organized crime set up operations or contacts in the United States, and what is the FBI and Secret Service doing to monitor these groups or close them down, and how dangerous are these groups to American citizens, more

specifically how dangerous are they to our financial system now that they are operating in the United States.

I brought up earlier the question of the Citicorp system which was raided from St. Petersburg, and just quoting from the *Wall Street Journal* at the time, they said, Citicorp's system is so ringed with security that breaking in like a computer hacker is considered by industry experts almost impossible. So it looks like more than a simple hacker problem to get past that system and transfer \$12 million.

So I guess those are my questions, and then what could we do as legislators to help you, in your duties, to protect American citizens and protect our financial systems from foreign criminal activity?

Mr. OWENS. It's a very broad question. I will make an effort to address some of the points. Certainly with regard to the specific numbers that the Director testified to, I won't attempt to address that, I will defer to his testimony on that.

With regard to our efforts conducting specific investigations of these groups, there have been a number of successes. There are a number of identified groups in the United States that are involved in various types of financial crimes as well as extortion schemes, other things that typically are addressed under our Organized Crime Program, and we do have initiatives underway both within our White Collar Crime Program and our Organized Crime Program to address these Russian groups. So with regard to that, there have been successes.

With regard to the Citibank case, you had asked earlier, too, whether or not there have been any convictions there. There have been four convictions to date in that case, and there still are a couple of outstanding cases. One individual is under arrest in London and is awaiting extradition. So that case is ongoing.

With regard to the vulnerability there, and I am certainly not a banking expert, and I only speak from a law enforcement perspective, but I will say that the Bank Fraud Working Group, which has been discussed certainly in the prior panel, has had some considerable discussion about what the vulnerabilities are. Obviously, from a law enforcement perspective, we are concerned about that, too. I don't think there are a lot of specific examples of intrusion, successful intrusions like the Citibank case, fortunately, so I don't know the full extent of the vulnerability. But within the Bank Fraud Working Group, we have established a subgroup which the FBI chairs looking at that very issue.

Mr. ROYCE. Let me ask you also a followup. In other committees we have learned that there is an extreme capital flight from Russia and other East European countries to the west. Can you tell us where this capital is coming from? Is it monies that have been sent from the United States or the IMF, or is it money that is being laundered from illegal activities, or do we know the sources?

Mr. OWENS. Well, I would say it is still being looked at. I think, as well as coming here, there is a lot that's going the other way as well. So I don't think we know the full extent of that, yet, nor do we know the purpose, whether it is dispersing ill-gotten gains or whether it is for some economic purpose to convert rubles to dollars or whatever, all that is still being looked at.

Mr. ROYCE. If I could just ask one last question of Mr. Richard because he brought up the ILEA. Could you tell me, this new organization, whether it has helped U.S. authorities to track or detect money laundering or other financial crimes coming from Russia or other former Eastern Bloc countries?

Mr. RICHARD. ILEA is a training academy. It has not focused exclusively on money laundering, but it has, it is my understanding, engaged in some sponsorship of money laundering programs, training programs there. It is designed to provide mid-level managers with basic appreciation of the problem and how their experience has suggested one can respond to it. So I am not sure that it is easily translatable into actual results in responding.

Mr. ROYCE. I bring up these questions because when Russian democrats are here it is of great concern to them, the issue of money laundering, and what is happening in terms of the flight of capital from Eastern Europe, from Russia, and I am just trying to get some handle on what we do know.

Mr. RICHARD. If I may just respond, you had asked about suggested legislative responses to the problem. As you may recall, the President did direct the Attorney General to establish an inter-agency task force to look at just this question: Whether new legislative authorities are needed to respond to any aspect of the problem. Under her direction, we are in the process of examining that across the whole spectrum, and I anticipate that in the near future we will be suggesting some legislative proposals to address the problem.

Mr. ROYCE. Thank you.

Thank you, Mr. Chairman.

Chairman LEACH. Thank you very much, Mr. Royce.

Before bringing this to a halt, I want to ask a couple of questions that go to kind of a premise of Mr. Rasor. Mr. Rasor made some comments earlier on about the good guys are smarter than the bad guys. You know, when self-interest is at stake and criminal intent is underway, I am not always convinced that's the case. We have an Office of Technology Assessment, for example, report that indicates that it is not at all clear that we have a very good handle on how to use money transfers, and how criminal elements do. It is even sometimes suggested that technologically law enforcement may be behind the curve. Do you suggest that's conceivable?

Mr. RASOR. Mr. Chairman, financially, law enforcement is behind the curve and also probably in the ability to have the availability of equipment that the bad guys can routinely get either by legal or illegal means. But I think in relationship to being smarter than the bad guys and using that philosophy to stop the problem I think that we are smarter if we spend the time, as I mentioned before, to understand our systems and realize—and this comes to a question that was asked a moment ago too—how many people are you arresting?

We could never arrest enough people to stop this problem—collectively we couldn't do that.

The repetitiveness of the problem, the ability of the criminal element to analyze the system and know where those weaknesses are and then respond to it is where the problem is.

From a technological standpoint, almost every one of these crimes have a systemic or technological fix attached to it once you break the crime down, see what made it happen. Now it's the ability of things like this committee's hearings and the education process to allow those fixes once they are detected to occur that is going to take us over the hump.

Chairman LEACH. Let me just say that I'm very impressed with the case Mr. Brown has brought, but I also suspect in his jurisdiction that you are dealing with a percentage and I suspect there's no great feeling that you have whether you are dealing with 5 percent of the problem or 75 percent of the problem. Nationwide, when I look at the letters that come into my district on the Nigerian fraud scheme. I have to be rather impressed that there are an awful lot of people involved and not an awful lot of arrests, but that's just a suspicion. I mean this is rampant.

What is impressive about it is that once there is notification it ought to stop instantly. So one of the questions is, what kind of communications are being made to consumers? I would think every bank in America ought to be sending their customers a warning about it.

Then we have this problem, does the bank want to make people think things are a little shaky? I don't know.

I am not terribly impressed that we have got a handle institutionally on the problem in our country or abroad. I mean, clearly we have some of the very best people in the world. Clearly we have done more thinking about it probably than anywhere else, but I am not convinced we have got the strike force capacities here. I am also not convinced we have got an international setup abroad that people trust and have confidence in and want to use. That is one of the reasons that I think that a financial crimes entity ought to be the subject of an international treaty. We ought to be moving in that direction with some sort of entity that is of comparable significance to Interpol.

If these numbers are valid, the types of crimes we are dealing with are of a far larger magnitude than Interpol deals with, except that this is technically under Interpol to a degree now. Mr. Richard?

Mr. RICHARD. May I respond, because you raise a problem that is a real one, and one that we are coming to grapple with. The Nigerian situation is very illustrative of the problem.

Several years ago when we had a higher degree of confidence in the commitment of the Nigerian government to respond to this, we engaged their institutions and came up with an agreement for providing mutual legal assistance in order to respond to the Nigerian drug problem and the Nigerian fraud problem and what have you, and we negotiated an agreement which we had hoped would facilitate the collection of information and lead ultimately to the apprehension, whether it be in Nigeria or the United States, of the culprits.

Frankly, with changing political situations there and the treaty is before the Senate Foreign Relations Committee and we have asked that it not proceed at this moment because of a change in political will, as we perceive it, there.

We are in effect dependent to some degree on the cooperation of the foreign government to assist us in collecting the evidence and apprehending their nationals who keep on bouncing back and forth between countries.

Where there is no willingness, no capability, no will, no commitment to address this on an international level, it becomes an extremely difficult problem to respond to.

Chairman LEACH. Let me just conclude by saying I am very impressed that what we have here is the impersonalization of crime—that is, the idea that instead of having someone with a gun at someone's face, that one uses a number, potentially from another city, with a system that provides resources, and that we have taken the eye off the ball because it doesn't seem as dramatic, and then we are numbed by the numbers.

We all know around here that the word "billion" lacks meaning and so when you get into those figures and then you get into multiples of a billion and then this concept that there was half a trillion in some sort of illegal money flow is a figure that is, you know, quantitatively more mind-boggling, but the numbing aspects of the numbers I think mean we are going to have to put a lot more personal attention to figuring it out and possibly consider some very, very new institutional arrangements.

I am personally one as we think about the budgets and the difficulties of it, it's one of the reasons why again I come back—I think the intelligence communities are going to have to be at a much higher degree of priority involved in this process, but that is just a personal view.

Anyway, thank you very much. I appreciate all of your testimony and your dedication to public service.

Recess for 2 minutes for the new panel to take its seats.

[Recess.]

Chairman LEACH. The committee will reconvene.

Our three witnesses on the final panel of private witnesses are from the American Bankers Association, Boris F. Melnikoff, who is Senior Vice President of Wachovia Corporation; then from the Center for Strategic International Studies, Arnaud de Borchgrave—and we welcome you, Arnaud; and then a private banking consultant, Mr. Clifford Brody.

Before beginning, I want to extend my condolences, and I hope I am not mistaken in this from reading an obituary in the *New York Times*. Your wife's father died, Arnaud? I am sorry to hear that.

Mr. DE BORCHGRAVE. Thank you.

Chairman LEACH. Mr. Melnikoff.

Mr. MELNIKOFF. Thank you.

STATEMENT OF BORIS F. MELNIKOFF, SENIOR VICE PRESIDENT, WACHOVIA CORP., ON BEHALF OF THE AMERICAN BANKERS ASSOCIATION

Mr. MELNIKOFF. Good afternoon, Mr. Chairman and members of the committee. I am Boris F. Melnikoff, as introduced by the chairman, with Wachovia Corporation and I also serve as the ABA's Money-Laundering Task Force Chairman.

The ABA has been asked to discuss money-laundering trends and other types of financial fraud, both domestically and internationally, and we welcome this opportunity to outline to the committee the banking industry's efforts in deterring all types of financial fraud. ABA believes that our response to this problem has been strong and an ongoing effort which clearly has been successful and we hope to spell that out a little further in my comments.

The committee has indicated concerns with the threat of organized criminal groups to the international financial system, and while the ABA shares their concerns, we also must emphasize that the U.S. financial industry addresses fraud whether committed by groups or individuals on an ongoing basis in a variety of ways.

The industry is working diligently with government counterparts to ensure that the financial community has all the appropriate tools to combat all types of bank fraud.

The committee seeks comments on various types of financial crimes associated with organized groups. However, many of the crimes can occur on a random basis so trends will be the same regardless as to who commits the crimes.

For example, the major crimes committed against banks and other businesses, one, is check fraud; two, credit card fraud; three, telemarketing fraud relating to drafts.

The survey, which was conducted by the ABA, told us that check fraud can be perpetrated with forged signatures, forged endorsements, check kiting, or counterfeit checks. This may indeed occur through organized efforts but it's not limited to those activities.

We have such a thing known as "friendly fraud" which actually involves a legitimate holder of the account, so to address the problem the banks have, among other things, indicated a need to educate the corporate customers in their responsibilities to help us prevent the frauds.

Many systems, both software and procedurally, have been instituted by the financial industry and shared with the corporate customers in order that we may reduce that segment of check fraud.

The ABA continually provides information to members on how to protect against being a victim of fraud but vigilance is the key. As we continue to discuss the industry's response to fraud, it must be emphasized that there is one common thread to all the deterrents, and that is what you have heard today: know your customer.

We will amplify this concept later on in the statement.

Mr. Chairman, ABA generally does not believe that the enactment and updating of banking and criminal laws will be a better method to combat fraud throughout, but we would be happy to comment on any specific proposal that the committee may be considering including the bill you are introducing today, Mr. Chairman, which we feel is necessary at this time.

Money laundering and the U.S. response—the ABA has long supported the efforts of Congress and the U.S. Government in its drive to address money-laundering activity throughout the world. The ABA was pleased to support the Money Laundering Suppression Act of 1994, which was enacted to improve the regulatory process covering the Bank Secrecy Act. Due to that legislation, FinCEN has successfully reduced the size of the currency transaction report and are close to further streamlining the whole entire cash-reporting

process, which I might add, we personally thank FinCEN immensely for that help.

All of these initiatives will assist the industry and the government in their efforts to help stop money-laundering by refocusing the efforts from routine reporting to suspicious transaction reporting and FinCEN deserves much of the acclaim for spearheading the regulatory burden reduction process that benefits both the bankers and law enforcement.

To continue on the point of reducing the amount of cash reports, ABA would like to re-emphasize the partnership developed in the past several years between the government and the banking industry. This alliance needs to be highlighted because the same relationship is not common nor found in many foreign countries.

In the international arena, the Financial Action Task Force serves as forum for ideas and recommendations on how to eliminate money-laundering activities not only in our own country but in other neighbors throughout the world. FATF is to be commended for its dedication to the worthy goal and it is imperative that the private sector lend its expertise and energy to increasing the obstacles for narcotic traffickers and other criminals who illegally use our financial institutions to move their ill-gotten gains.

The ABA has supported these efforts but as we previously mentioned, the record of our international counterparts have been mixed at best, and I might add from personally attending the meeting in Paris last month, in talking to some of my associates there, what was alluded to earlier this morning with respect to the "know your customer" rule in foreign countries, I think you will not find that necessarily true in all foreign nations that attended the FATF meeting. Their main concern obviously was receiving deposits.

The ABA stands ready to continue its decade-long involvement in educating bankers and other private sector representatives on the need for compliance and vigilance with money-laundering laws and activities, and we have worked with FATF and its members so that one day we can all trumpet the end of money-laundering and financial institutions everywhere will celebrate a great victory.

The trends in money laundering must by definition be discovered by law enforcement and State and Federal bank regulators since those entities are better equipped than bank officials to discover new forms of criminal activities and to distribute this information to all concerned parties.

The government has been working toward an improved alliance with the private sector to share information on new trends and schemes and we are optimistic that this will continue.

Mr. Chairman, I would just like to briefly share with you two examples of how the banking industry has accepted and worked very, very closely with law enforcement.

A financial institution employee contacted the Financial Task Force in Oklahoma concerning a new account which was receiving wire transfers from California and then the money being withdrawn in U.S. currency. Each wire was approximately \$50,000. This information uncovered a theft ring that had stolen almost \$4 million in microchips from a business in Oklahoma.

Another interesting situation was a bank compliance officer called the Financial Task Force when he became suspicious that an

elderly gentleman began taking large cash advances on a number of credit cards. Because of this call, an investigation ensued and uncovered fraudulent telemarketing schemes in Las Vegas, Nevada and fortunately prevented the gentleman from losing everything.

Additionally, many, many banks in this country work very, very closely with all law enforcement agencies with respect to maintaining certain accounts when necessary as Operation DERAILED, which was addressed earlier, and many other operations—Operation Polar Cap, Operation Dinero—the banks have played a significant role in assisting law enforcement in tracking records, monies, and things of that nature, so the banks in that regard have done I believe an outstanding job.

Countermeasures, another area we have been asked to cover, concerns what countermeasures have the U.S. financial institutions developed in order to both comply with regulatory responsibilities and to develop appropriate proactive responses to money laundering while the United States does not now have a regulation in place, although we expect one in 1996, the ABA has long supported the concept of formalizing and “Know Your Customer.”

In a survey that ABA has conducted, over 86 percent of the respondents have a program at their institutions in place that will assist us in that piece of legislation in “Know Your Customer.” So the industry is trying to be ahead of the curve. We are putting the horse before the cart now, rather than the cart before the horse and 86 percent of the industry is there now, so we are excited and hopefully we’ll have 100 percent before any legislation is enacted.

Recommendations as the committee continues to review its global financial crimes, how best to address fraud, our association would ask that you consider the level of resources available to law enforcement in the United States. Due to the lack of funds in many agencies, frauds are committed under certain thresholds. Example mentioned earlier—\$100,000, New York City, other cities, \$50,000, \$25,000. In theory, these frauds can go unprosecuted and individuals will walk, so we urge the committee to take and give that some consideration.

In conclusion, the American Bankers Association has long advocated adherence to “Know Your Customer” principles as a means to deter fraud and protect the banking industry.

I might add, Mr. Chairman, that the industry in this regard has spent and invested huge amounts of money in artificial intelligence, all kinds of profiling techniques to profile and monitor accounts to reduce the exposure to credit card fraud, and things of that nature.

A lot of research is being done now through techniques to identify and positively identify people. I see that coming in the next 5 to 6 years that we will have the technology and the ability to identify a customer not by account number, not by a PIN number, but by some part of the anatomy and I suggest to you that that will become the retina in the human as positive means of identification—so there is an awful lot going on and we are just proud to participate and we thank you for the opportunity to be here and I’ll be happy to answer any questions.

[The prepared statement of Mr. Boris F. Melnikoff can be found on page 218 in the appendix.]

Chairman LEACH. Thank you, Mr. Melnikoff.
Mr. de Borchgrave.

STATEMENT OF ARNAUD DE BORCHGRAVE, DIRECTOR, GLOBAL ORGANIZED CRIME PROJECT, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES [CSIS]

Mr. DE BORCHGRAVE. Thank you, Mr. Chairman.

About 4 years ago, Mr. Chairman, a wealthy friend of mine in New York who has very good contacts in Moscow was called by these Russian friends asking for help when they got to New York. When they got to New York, they wanted contacts in Nassau, Bahamas, as they realized that my friend also had a residence there. He called the Swiss banker in question and a week later got a call back from the banker who said, do you realize what your Russian friends wanted? And he said, yes, I assume they wanted to open a bank account. He said, do you know for how much? He said, I assume it was for a few million. He said, no it was \$2½ billion and that was turned down by the Zurich headquarters of the Swiss bank.

A few weeks later, I was recounting this anecdote to a Swiss banker in the south of France headquartered in Monte Carlo and he said—he volunteered the following story. He said, well the day before yesterday, I had a walk-in, a Russian walk in without any introductions at all and he wanted to deposit \$400 million but he wanted to make sure that it was untraceable through a variety of offshore accounts.

These two incidents, of course, grabbed my attention and led to the program that we have started at CSIS, which we call Global Organized Crime. It is chaired by Judge William Webster, the former DCI and former FBI director. We have a steering group made up of 30 people from law enforcement, corporate security and intelligence, all very prominent figures. This, in turn, has spawned seven task forces that deal with everything from money laundering to counterfeiting to nuclear materials smuggling to illegal alien smuggling, cybercrime, cyberterrorism, and all these other things.

After 18 months on the job, there is no doubt in our mind whatsoever, and I am talking about 150 people involved, that the dimensions of transnational crime, which of course include money laundering and counterfeiting present a far greater international security challenge than anything Western democracies had to deal with during the cold war.

President Yeltsin, as I think we all know by now, has described his own country, which still spans 11 time zones, as the biggest mafia state in the world. He called it the superpower of crime. He has accused his own officials of turning a blind eye to what is going on to the criminal penetration of the MVD, the very organization that is tasked with fighting organized crime.

As the head of the German BKA pointed out right here in Washington a year-and-a-half ago, the collapse of the Soviet Union also brought about a lethal mix of intelligence services, banks and organized crime.

I personally have investigated and, in many cases, witnessed what Russian thieves-in-law or mafia dons were doing all over the Western world, North America and Latin America, carrying, as I

think we have all heard these stories, but I have witnessed them, carrying from \$5 to \$10 million around in \$100 bills in suitcases and buying choice properties all the way from Buenos Aires to Berlin and from Marbella, Spain, to Monte Carlo, Monaco. Tiny, little Cyprus receives 100,000 Russian visitors a year at the present time versus about 200,000 to the United States.

We can see a growing crisis of law and order over an increasingly large part of the globe. The collapse of the Soviet Empire has led to a breakdown of discipline generated by a fear that we no longer fear but this has in turn been replaced by another fear that people like Pat Buchanan are tapping into and that is the fear that the human being is gradually becoming redundant.

There are today 820 million unemployed in a world of 5.7 billion people and with almost 100 million new babies a year, 40 percent of them born into the megaslums of the developing world and with an average age of 21 or less, we have entered, as we see it, an era of rising inequities between nations and within nations. There are also now the haves and the have-nots of the information age.

In our banking sector alone, an estimated 450,000 employees will be laid off in the next few years, displaced by megamergers and displaced by on-line banking which is expected to shut down half the branches in this country. And this new cashless society will have created a ready-made army of disgruntled people, potential recruits as purveyors of inside information.

Our GOC study at CSIS has also established a direct correlation between the exponential growth of transnational crime and the computer revolution. The traditional prerogatives of national sovereignty have not only been challenged in cyberspace, as I think we all realize, they have ceased to exist. In order to test, and we had a meeting this morning, all morning, of the President's National Security Telecommunications Advisory Committee and the head of DISA was there, in order to test the security and vulnerability of DOD's communications systems, the ASSIST center of DISA, the Defense Information Systems Agency, was tasked to penetrate the Pentagon's worldwide operations. They did not use sophisticated software, but software available to anyone, namely SATAN, R-BONE or ROOTKIT on INTERNET.

And the long and the short of it is, Mr. Chairman, is that they managed to penetrate 96 percent of their own systems that had been targeted. Only 4 percent realized that they had been successfully penetrated and of those 4 percent, only 5 percent of the 4 percent did report this to superior offices.

Substate or nonstate criminal actors are using the same methods. Although not verifiable, briefers have told us in off-the-record sessions—and these are briefers representing industry and government—that at least 400 of the Fortune 500 corporations have been penetrated and, again, only 5 percent were aware of these penetrations.

In many instances, the objective was passive economic intelligence collection, setting off few, if any, alarms. We have no early warning capability in cyberspace and in mock information warfare scenarios, we have seen the telephone signalling systems and switches can suddenly curdle, jamming communications, that trading on the New York Stock Exchange can be paralyzed, that auto-

mated teller machines can go haywire, crediting and debiting erroneous amounts at random, that the Social Security System and its 1,325 field offices could no longer function and that air traffic control centers and railroad and shipping computers can be disabled quite easily.

The order of magnitude of transnational crime, as our experts have put it all together, and we deal with foreign intelligence service as well, the order of magnitude is staggering. The National Criminal Intelligence Service in London has upped its estimate of annual money laundering to about \$1.3 trillion a year. NCIS in London receives about 12,000 confidential money laundering tips every year from public spirited citizens but not one of these has yet led to a conviction because the evidence simply vanishes in cyberspace in nanoseconds.

PDD-42, which we are all aware of that President Clinton issued last October was designed to come to grips with transnational crime and money laundering. It is at least a good beginning but, in our judgment, it is woefully inadequate in that it assumes that we can negotiate the closing of some 50 major money laundering centers that span the globe, many of them tiny island nations, and if unsuccessful then punish them by taking them out of the U.S. financial loop. There is no such loop. It is now a global one but law enforcement still has to stop at meaningless borders.

The Seychelles will give anyone depositing \$10 million a diplomatic passport; that is, immunity from prosecution. A St. Kitts passport can be had in return for the purchase of a \$150,000 condo and I, personally, know several American citizens who have given up their citizenship and who are now citizens of St. Kitts in exchange for \$150,000 in order to evade taxes.

We must be prepared to address the many new issues raised by the development of cybercash, new payment systems such as stored value cards or electronic wallets. Ron Noble, the outgoing Undersecretary for Enforcement at Treasury said we have to be concerned as an organization to come up with principles which recognize that technologies could pose a threat but do not define them in such a way that you are dated as soon as you publish them.

Law enforcement officials feel strongly that the developers of new financial technologies should think about their criminal potential before they launch them so that governments do not have to clamp down on them afterwards with draconian rules. Safeguards now being discussed against the misuse of electronic stored value cards could include limiting their maximum value or restricting their use to certain closed systems.

The professionals on our own CSIS task forces believe that electronic financial crimes are now the principal threat to the world's financial infrastructure. We are facing a new breed of transnational criminals with high tech methodologies and that was discussed all morning today at these off-the-record meetings with the top experts in this country.

Individuals and corporations are only dimly aware of the risks. Electronic commerce is expected to reach about \$3 trillion a year in 4 years' time when on-line banking will become the norm and checkbooks the exception. Our real assets, Mr. Chairman, are in electronic storage, not in Fort Knox, including most of the propri-

etary and intellectual property. And in this global electronic environment, there are no cops to protect you, your assets or your secrets or your reputation in personnel or court records that can be doctored by remote control.

As "60 Minutes" demonstrated last Sunday, transnational criminal gangs are now routinely stealing the identities and retirement accounts of American citizens. We all know that successful counterfeiting is also a global plague. If 14 out of the 15 French banks forewarned that it might be a forgery guaranteed the authenticity of a \$100 bill, we know that the superbill is not a journalistic fantasy.

Russians now hold tens of billions of dollars in \$100 bills, obviously not all counterfeits, and about \$100 million, as you well know, in \$100 bills is shipped daily to Russia where they are bought for rubles. Topic A among Russians these days is what the new \$100 bill will do to their hoard of old bills. The U.S. embassy hotline tells them that they have nothing to worry about, that the old bills will be valid tender for the indefinite future, but there is no question that regimes such as Iran, Libya, and Iraq have a vested interest in destabilizing confidence in the dollar. They have also been using counterfeit dollars for subversive purposes. The global reach of the Superbill is yet another example of how law enforcement and intelligence have no alternative but to pool, not share, their resources.

You might ask, Mr. Chairman, what does an organization like CSIS hope to do about global organized crime. First of all, we have established, and this was confirmed again this morning, there is no central clearinghouse in this city for information about activities in all fields of transnational crime. CSIS has collected and continues to collect this information from a wide variety of sources all over the world. Our mandate is quite simply to act as a catalyst to raise the level of awareness that hopefully will provide the building blocks for the kind of high tech transnational cooperation and legal structures that are essential in order to level the playing field between law enforcement and transnational crime syndicates.

Countries under attack including all the democratic nations of the world have no choice but to pool their resources to create the kind of countervailing force that transnational crime syndicates will have to take seriously. And, unless that happens, global organized crime will continue to supplant national entities and undermine the world's financial infrastructure.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Arnaud de Borchgrave can be found on page 301 in the appendix.]

Chairman LEACH. Thank you.

I think I should breathe a collective sigh, if everyone present will sigh.

Mr. Brody.

STATEMENT OF CLIFFORD L. BRODY, PRESIDENT, CLIFFORD L. BRODY ASSOCIATES, INC.

Mr. BRODY. Mr. Chairman, I am pleased. I am, indeed, honored to be asked to testify before the committee today on the whole

question of money laundering, and the role of Russian banks and Russian institutions fostering it.

I have prepared written testimony, and I ask that it be included in the record.

Chairman LEACH. Without objection, all the statements will be in the record.

Mr. BRODY. And, with your permission, I would like to digress a little bit from my prepared oral statement as well.

Chairman LEACH. Please.

Mr. BRODY. I do benefit from the excellent, and I mean excellent, testimony of the speakers that have appeared before me today, both on this panel and on the preceding panel, and it has caused me to think a little bit about the recommendations I have made which I stand by, and also to want to comment a little bit on the framework for not only what is going wrong, but how we might address it because that seems to be the problem, number one.

My recommendations were, and still are, that the U.S. Government and other governments sit down somehow in an effective sort of way with the Russian Government and Russian Central Bank to cause the Central Bank of Russia to make available on a confidential basis to banks and other appropriate agencies those organizations inside of Russia that are legally licensed to have accounts outside of Russia. That builds on the whole question of, know thy customer. We can't know who all the customers are from Russia, but there is a licensing system, it is formal, it is maintained, and it should be available.

I stand by my second recommendation, which is that the Congress secure a commitment of some sort from the executive branch to act with other governments to begin focusing on some specific rules of the road, be they legislative or regulatory or central bank in nature, governing the use by banks of all kinds of stored-value card technology, particularly as it is used for transferring or transmitting value, money, on cards.

I also believe that this committee should sit down carefully and quickly with the banking industry to define where the common ground is between the committee and the Congress and the industry to make sure that stored value on these cards has some way of telling the institutions that process this value where large values have come from. I will come back to these recommendations in a moment.

My informal comments, they do digress a little bit from my oral statement, begin with the statement that Mr. Royce made at the beginning of the hearings today. Mr. Royce's statement struck me not only as correct factually, but also well-structured in the sense that he has correctly identified the nature of the problem, the participants in the problem, essentially the cause of the problem. If anything, the statistics of a more recent nature buttress the points that you have made, Mr. Royce.

I believe that this is happening because lawlessness really is rampant in Russia and some of the other former Soviet Union Republics. I think it is a special form of lawlessness that we are not accustomed to seeing in the United States, nor do we find in Western Europe. It is an individual sort of lawlessness. It is an institutional form of lawlessness, but it is reflected in the activities of peo-

ple who are simply players in a system that is unlike ours. These people, particularly from institutions or from governments or from the central bank of Russia, often say that they are speaking for their institutions, but they are really not. They are speaking their hopes, their aspirations, particularly the ones that would like to see the system improved, but they really do not have the cachet of their organizations and, sometimes, even at the top, they do not even know what their organizations are doing.

As a result, if we bank on the signature or the word of a Russian banker, or a Russian Central Banker, or a Russian Minister, or even a Russian Parliamentarian, we really do not know if he stands for his institution or whether the institution will deliver. In fact, the experience is that somewhere in that institution there are people who are corrupt and who will use the name of the institution for their own financial and personal gain.

I believe in Russia that the political level does not care whether this problem is solved, it is pure and simple. Unlike here, and unlike the witnesses, particularly the official witnesses, they just don't care. I think you are correct that the real threat is that without some kind of political accord, agreement, among central banks and among governments, that these problems be addressed, particularly not in hindsight, but with some foresight, particularly regarding electronic money and stored value cards. Without that kind of accord, we will not solve the problem.

I think that the opportunity is growing, as everyone else here has documented with more technical skill than I can, for systematic thwarting of all forms of money laundering control, watching, monitoring, filing, reporting that we know of today. But, by the same token, because it is becoming computerized, and because the technology is available to everybody, and because the banking industry in this country and many others, is investing so much money in trying to agree on standards, that out of the development of electronic money and the movement of money electronically, we will see a form of uniformity, at least on standards, that will offer us the opportunity to see where money is coming from and see where it is headed, out of the problem comes the solution.

I am a process person. I think that we have heard an excellent discussion from many different perspectives of what is wrong. The real question is, how do we solve it? I believe we solve it by a systematic approach and a systematic solution. It will be technologically-based, based on these new forms of moving money.

It needs negotiation, it needs negotiation with the banking industry between this committee and this Congress and the industry to see what the industry is developing in the way of a systematic solution which can be used with the convenience of those stored-value cards that we customers want, to figure out where inordinate amounts of money are coming from, where it has travelled through, and where it is headed.

I think it needs some negotiation between our government and other governments to agree on some uniform standard. I think it needs some negotiation by the Federal Reserve with the Bank for International Settlements, and with other central banks on uniform standards for understanding how this money should move. I think the committee has the role with the industry, the State De-

partment has the role with the foreign governments, and I think the Fed really does have a role with the Bank for International Settlements.

I think the KGB is in banks, to answer a question that you have posed, Mr. Royce, not because the KGB as an institution decided that it was going to get into banks, but because when banks were effectively cut off from their domestic subsidy inside Russia in 1987, that's when they first started doing it, and when the Soviet Union dissolved, effectively at the end of 1991, the banks needed fixers. They needed people who knew the Russian political system, particularly the domestic system, so that they could get around the whole function of filing forms, and they did have some reporting systems, get around tax compliance, get around currency reporting, even in the rudimentary form that it existed there, and the KGB people, particularly retirees, were very, very well informed on how to beat the domestic Russian system. They brought extra value-added to the extent that they knew from an intelligence or professional standpoint how foreign banking systems worked, but that was not their primary value-added to the banks.

The people inside Russia and inside the banking systems there are corrupt by our standards, but they are not corrupt by their standards. It is OK to accept money where we would never think of a government official accepting money. It is OK to make an inter-bank clearing system available for companies that are trying to hide their income, their revenues, cut their taxes, which is what Russian companies do a lot. We don't think it is OK. It is tolerated, it is acceptable.

I believe, and I will conclude on this point, that although it is understandable that we speak of more law enforcement, that it is misleading to talk about more law enforcement. I was particularly puzzled that the Department of State has suggested they need more space, more law enforcement people. As you know, I am a former foreign service officer, I think the foreign service works now kind of like it did before. To the extent that we have yet more people in embassies delegated the responsibility of dealing with these matters at an operational level, we remove the incentive for the Chief of Mission, for the Ambassador, to make this a political issue, number one, and deal with that at a political level with the opposing government, or the, shall we say, the host or home country government.

I don't know that we need more law enforcement people overseas. I think we need to make this more of a political priority, and I may add, Mr. de Borchgrave, I agree with you fundamentally that the threat to the future is financial destabilization.

Let me suggest this, and this may be a flight of fancy but, nonetheless, it is worth some thought; because if 20 percent of it is valuable and 80 percent of it has to be thrown away, well, so be it. We have within our power—using plain off-the-shelf software that we can buy at any computer store—to put a scenario in a single laptop computer and to take it around and to show it to some central banks and to some governments, some leaders of Finance Ministry's, what would happen if something akin to the pounding that the Pound took several years ago took place today as a result of a purposeful destabilization effort by some organization some-

where, I think once we see it graphically, once it is in color, once it is on a computer screen, and once it is reduced to elemental single-syllable forms, we can get a sense of the problem and we may be able to excite some political will to negotiate some accord, agreement, among governments to get uniform approaches, at least to identify where the dirty players are coming from. We should do it with Russia. We should start there, and we should look to the political leaders of our government to negotiate this and to show this, and even to understand it.

I will stop there, and I will be pleased to answer your questions.

[The prepared statement of Mr. Clifford L. Brody can be found on page 307 in the appendix.]

Chairman LEACH. Thank you very much.

Let me begin with Mr. Royce since I skipped him earlier. I will come back.

Mr. ROYCE. Thank you, Mr. Chairman.

I guess the first question that comes to mind is how do we impose, how do we impose on these other countries, how does the Administration or how do we in Congress begin to impose on Switzerland and other nations? I mean, Mr. de Borchgrave, you explained the circumstances there with the Seychelles. Governments around the country, around the world that basically are the beneficiaries of the importation of funds from illegal activities that are basically working hand in glove with people involved with organized crime.

So what do we do in order to force these governments to capitulate and begin to operate on these systems that we would like to impose? So if I could just have a response to that question?

Mr. DE BORCHGRAVE. Well, are you suggesting—are you referring to PPD-42, Mr. Royce, of last October which I suggested in my testimony does not go far enough? Given national sovereignties, that is about as far as you can go today to try to close these loopholes.

The PPD-42 thinks that we can negotiate the closing of these tax havens or offshore banking centers if they are involved in wide-scale money laundering but I don't know if our banking experts would agree with me, I'm not sure how that works technically, as I cannot detect anything called an American financial loop. If you think that the New York Federal Reserve alone transfers \$2.3 trillion a day, \$980 billion of which goes abroad, what does national sovereignty mean in that context, yet we still have to address this problem, given the givens, as a problem of national sovereignty, whether you're dealing with St. Kitts, the Seychelles or Switzerland or Liechtenstein. I don't know if you would agree.

Mr. MELNIKOFF. If I might, Mr. Royce, I will be going to the Republic of Panama for the first Congress of South American bankers and I think here is a starting point. As a matter of fact, these questions are going to be posed during this congress, which will last 4 days, and we will be very, very interested in the response that we get because it is, indeed, a significant problem.

Similarly, to the comments I received in Paris back in January when I posed the question, know your customer. I thought it was universally accepted, especially with the G-7 nations, and that is not totally accurate. So it will be interesting to get feedback from these South American countries.

Mr. ROYCE. I am not sure what feedback we are going to get because their benefit lies in not knowing their customers. Their benefit lies in the fact that these foreign countries have no money laundering laws whatsoever and therefore have a welcome mat out for the massive cash flows that come through their system from organized crime and round table discussions with nations that are the beneficiary of our inability to impose any standards on the conduct of their banking institutions isn't likely, I think, to get to the root of the problem.

It is going to take—it is going to take the development of some stick, some incentive to get foreign governments to develop this body of law.

Mr. BRODY. Mr. Royce, if I may, it would seem to me that if the regulatory community here, together with the banking industry here in this country, took the—took a very careful look at the technological development and going into electronic cash and came up with a set of standards, you might say three things about those standards. Number one, they would be terrific, technologically, because our banks are in the forefront of developing this technology. It is not just the banks; it's the communications companies and the computer companies as well.

Number two, if we were really going to use them and they offered a degree of protection and regulatory capacity to the regulatory agencies, as you say, there might be an incentive in there to some of the other central banks to adopt them. There is a particular problem in Europe because the European approach to some of these regulatory standards is different than ours.

But our industry is really putting a lot of muscle, a lot of money and a lot of intellectual capacity into developing systems that will actually work and what we can say is that if they are good, if these systems are good, these other governments, these other central banks should adopt them and at the end of the day, the rails have got to match. If they want to work with the system, they've got to work with the system as we are doing it because this is the way the picture is going to be painted on the screen.

The real issue is, can banks go forward to other banks and, say, in Europe or anywhere else, say "this is how we do it." And I think the answer is, "no." It really has to be the central bank that goes to the central bank and says, "this is how we are going to do it and it is a good system and you may not like it but unless you want the baggage or the freight or the cost of unloading the cars as you do at some borders between eastern and western Europe and then reshipping it on and us having to check—whoever the 'us' may be, probably the banks themselves—and add the cost to that, this is how we ought to do it." And if we've got the best product, they should want to buy it.

Mr. ROYCE. I will follow up with one other question, just because I wanted to ask Mr. de Borchgrave, and this has to do with the IMF money that the United States basically—from what we have learned about the lack of controls on the system there, from what we know from the people that we have talked to, what are our guarantees that billions of dollars in IMF loans, international loans, multinational loans that go to that—to Russia end up where

they are supposed to be and don't end up partially being shifted outside the country? Do you have any information?

Mr. DE BORCHGRAVE. There are no guarantees, Mr. Royce. There are, built into the IMF agreement as I am sure you have read, monthly monitoring processes. How good that is going to be, I have no idea. What I can tell you is that the estimates of our experts including Dr. Brezezinski and also headquarters of the CSIS, is that of the \$110 billion that has been extended to Russia by Western countries, principally Germany and Western lending institutions, from 60 to 70 percent of that has returned to secret accounts, private accounts all over the world, in flight capital from Russia.

Do you directly relate that to the \$110 billion? I don't know, but that is the estimate of the experts in terms of what they believe to be moving abroad. But now you've got \$100 million a day going back into Russia, buying rubles, so it seems to me it requires a lot better intelligence than what we have obtained so far.

Mr. ROYCE. Thank you, Mr. Chairman.

Chairman LEACH. I do not know what is possible or not, but in some ways there might be a role for exposure or disclosure in this sense, that it strikes one, when one looks at the Russian circumstance, they have two financial problems of classic proportions. One, they have no honest intermediary financial system where someone can—wants to voluntarily put their money and save it. And, second, they have no lending system at fair rates in which one can desire a loan.

Beyond that, they have the capital flight issue which makes the Latin American circumstance of a decade ago look fairly slight. If, in theory, one had to report to Russia, everybody that takes money out, if in theory in Russia that was a crime, at some point someone might enforce it. I mean, it might be a very interesting phenomenon. And so I don't—so what I am asking here is what is the role of disclosure in an exposure sense?

Mr. DE BORCHGRAVE. Mr. Chairman, as we have analyzed what has happened in Russia since the demise of the Soviet Union, there has been a literal plundering of that country that has been going on at every level. We are dealing not with a normal state, as you have already heard, but as our KGB defectors will tell you, we are dealing with a state that is criminally focused from top to bottom.

Chairman LEACH. I share that. In fact, it is a state that has plundered itself. And then the question is, do they use those resources to plunder others. But I think that the first is occurring and is continuing to occur. The second is one of the more interesting questions.

Our prior panel, I mean with some confidence, talked about the talent in our government. One of the oddities in Russia is they have one of the poorest social organizations in the history of mankind but they have an extraordinarily well educated populace en masse and an extraordinary number of people with nothing to do that is constructive. And so when our people say we are at the forefront of knowledge in this area, I am—when I look at the history of Russian mathematicians from the 19th century on, it strikes me there is a lot of talent there that probably exceeds some of the people that would be—we would honor very much in our own bureaucracy.

If that gets directed in a sufficient enough fashion, you've got difficulties. There are lots of reports that the Russians have opened windows of look-ins into all sorts of circumstances in America that they have done nothing with. And then the question is how do you—what does that mean? I mean, I mean, it looks as if they are looking at the possible capabilities of tapping in but they haven't really done the tapping.

I think it is a very dangerous circumstance and I don't know how to respond other than to say whatever priority we have placed on it, it is clearly insufficient and so that comes back to looking at our own organization, our own government. How do we reorganize for it and how do we motivate the international community when so many of the parties have a vested interest not to participate?

Do you have any advice in that regard? I assume CSIS is looking at these?

Mr. DE BORCHGRAVE. We are indeed, Mr. Chairman, and I guess our bottom line conclusion at this particular stage at this juncture is intelligence and more intelligence and we don't, in my judgment, have those capabilities.

I have asked everyone, do you have any idea of how much is coming into Europe every day? What is being bought?

I was in the lobby of a hotel in Geneva and I happened to know from back in my *Newsweek* days the concierge of that particular hotel, and I said how is the season going? He said, "Thank god for the Russian Mafia. It would be a disaster without the Russian Mafia."

We know that all these things are going on. We know what they are buying. I have a friend the other day who got a call here in Washington from a Russian zillionaire who wanted to buy an oceanfront property in Palm Beach, Florida, and he said, well, I happen to have one on my desk worth \$1.7 million—it's a good buy—and he said, Edward, you are insulting me. I wouldn't look at anything under \$5 million. He thought that \$1.7 million was tacky.

All these things are going on, Mr. Chairman, all over the Western world and no one has a handle on them.

Mr. BRODY. Mr. Chairman?

Chairman LEACH. Mr. Brody.

Mr. BRODY. Thank you. In August of 1991 when the Generals were locking Mr. Gorbachev up at his country cabin and Mr. Yeltsin was standing on top of a tank, the Generals had removed Mr. Gerashenko as the head of the Central Bank.

It's very interesting what happened, because he came back on the job within 3 days. He was re-appointed. The international community of commercial banks somehow got a message to the Generals saying that if you didn't put this guy back in, and we won't get into the reasons why—not that he was a terrifically competent Central Banker but he certainly was predictable—we're basically going to cut the spigot on currency flows, money flows to and from Russia—he was re-appointed and they actually did apparently shut off the flows for about 12 hours.

It is an awful thing to say about a whole country, and of course you can't paint totally with a broad brush, but money talks there. The way you get the attention of people there is to tell them how

their raw profit will be affected negatively or their money will be lost.

It would seem to me that although someone may come along some day with a PC and try to destabilize our payment system or a part of it just to experiment to see if it can be done that a bright mind, for example, at CSIS ought to be able to put together a hypothetical scenario which points out that when the shell goes off, some of the shrapnel lands inside Russia.

At the end of the day if our system is destabilized, so is Russia's. At the end of the day if our financial system is destabilized, so is the Cayman Islands' because people cannot spend the value that they have stored up either in their mattress or in their electronic cash card.

We can quantify this. Of course, it takes some assumptions but all forecasts take assumptions including budget deficits of the U.S., investment by the banking industry in electronic cash cards or whatever—any company does. We make some assumptions, but we can quantify that and we can deliver it into the hands of the authorities—a picture, because most smart people understand pictures. Words get too complicated. We can point out to the Central Bank of Russia and to the Finance Minister of Russia, whoever it may be after the elections, that if they don't clamp down—because I do believe we know, even though we don't know the exact numbers, we know what is going on, but if we don't clamp down and if they don't clamp down and if some of it is not born and bred inside Russia in the way of monitoring, they will suffer with the residual of the way we suffer.

When they see their interests affected directly, and when someone puts some dollar figure next to it, you'll get their attention and they will respond. We need perhaps a skilled diplomat, a skilled Central Banker, whoever it may be, but not many people, just to lay it out and say it won't quite work in a way to insulate Russia from the devastating effects, and that is why they need to control their own system: their own self-interest is involved.

Mr. DE BORCHGRAVE. Mr. Royce—with your permission, Mr. Chairman—

Chairman LEACH. Yes.

Mr. DE BORCHGRAVE. Mr. Royce, I think the issue that you raised before goes much further than legislation. Many of the countries do have these laws on the books right now. There are the OECD recommendations. There are laws against money laundering in a wide variety of Western countries, if not all of them, but the issue is how do you enforce these laws.

That is the national approach to a transnational problem. I contend that it is never going to work as long as we go on thinking nationally. One day perhaps we are all going to start thinking transnationally. How do we move from the national thinking to the transnational thinking without falling into the multinational thinking which of course means the U.N., one world, and so forth, and immediately people think that you are off the wall.

Chairman LEACH. Well, we're glad that you are in the chair. Mr. Royce, do you have more questions?

Mr. ROYCE. No, that concludes my questions, Mr. Chairman.

I would just like to thank the panelist and thank Mr. de Borchgrave and I also want to urge, Mr. Chairman, that maybe we could take the testimony of our last three witnesses and send it under separate copy to the members of the full committee with a note from you urging them to read that testimony, because I think it is one of the most important subjects that we have covered this year.

Thank you, Mr. Chairman.

Chairman LEACH. I appreciate your comments and I want to thank the three witnesses and your participation is very impressive. Mr. Brody comes from a background that he knows Russia well. Mr. de Borchgrave is heading an effort of a very responsible institutional arrangement of a nature that I think is unprecedented. Mr. Melnikoff, representing one of the great American banks—as you may know, I have a great prejudice for oddly named institutions and they seem to have particularly good reputations and we are appreciative of your participation.

Mr. MELNIKOFF. Thank you, sir.

Chairman LEACH. The committee is adjourned.

[Whereupon, at 3:35 p.m., the hearing was adjourned, to reconvene at the call of the Chair.]

APPENDIX

February 28, 1996



104th Congress

Currency

News from the
Committee on Banking and Financial Services
U.S. House of Representatives
James A. Leach, Chairman

Opening Statement
By Rep. James A. Leach
Chairman, House Banking and Financial Services Committee
Hearing on Organized Crime
and the International Banking System
Feb. 28, 1996

The Committee is meeting today to review the threat organized criminal groups pose to the international banking system. Rapid changes in technology, globalization of finance and political problems in other countries have all put new stresses on the international financial system. While electronic and international banking have provided consumers more choices and more efficient markets, they have also made our financial institutions more vulnerable to fraudulent international schemes.

Organized crime groups both in the United States and abroad are engaged in money laundering, counterfeiting of U.S. currency, counterfeiting of fake financial documents, access device fraud, and financial extortion on a massive scale. Yesterday, the General Oversight and Investigations Subcommittee, under the able leadership of Chairman Bachus, reviewed the threat international counterfeiting poses to the integrity of the U.S. currency. Today we will focus on other financial crimes.

As the use of paper currency decreases and gives way to credit cards and electronic transfers, fraud associated with access devices becomes more troublesome. This includes the fraudulent use of credit cards or fraudulent misuse of electronic banking systems. Last year this concern was made real when the nation's largest commercial bank, Citicorp, was electronically held up by international saboteurs. Jesse James has finally met his match.

Approximately, \$12 million was illegally transferred (with \$400,000 actually withdrawn) via Citicorp cash management systems and the unauthorized transfers took place all over the globe -- from Buenos Aires to the old Russian capitol of St. Petersburg to Israel. Given that Citicorp alone moves about \$500 billion per day, the potential risk to the banking industry is staggering.

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Currently, access device fraud costs financial institutions an estimated \$4 billion annually. Nigerian criminal groups reportedly account for more than \$2.5 million in credit card fraud a month in Dallas alone.

Another fraud being perpetrated by organized groups include so-called "desk-top" publishing of fake financial documents, sometimes referred to as prime bank notes. Counterfeiting of corporate checks, bonds, securities and other real or fictitious negotiable instruments are being produced to defraud individuals, pension companies, charities and financial institutions. Two years ago federal banking regulators issued a warning to the banking industry on the rise in phony prime bank note activity. Earlier this month state banking regulators in the Northeast issued another warning to their state banks, indicating that the threat continues. In addition, approximately 40 victims per month of a Nigerian Advance Fee Fraud come to the attention of government officials, with these victims losing on average \$400,000.

Today I will introduce legislation which will help law enforcement agencies combat the financial crimes of counterfeiting, access device fraud, and producing bank notes. First, the legislation will make it a federal crime to pass off fake documents, such as prime bank notes. Second, it will allow federal law enforcement agencies to seize the equipment used in committing access device fraud, such as credit card embossers. Thirdly, the bill will increase the penalty for counterfeiting to a maximum of 25 years imprisonment.

Probably the most pernicious crime affecting the banking system, however, is money laundering, which according to some international experts now approaches a half trillion dollars a year. Criminals have found that technological developments appear to have made it easier to launder their illegal gains. For instance, smugglers may no longer have to worry about getting cash-full valises through Customs when they can electronically put thousands of dollars on stored-valued, or Smart cards, no bigger than the average credit card.

With regard to money laundering, there is no shortage of domestic laws. Since 1986, major anti-money laundering legislation has been enacted in every Congress -- from the Money Laundering Act of 1986 which first fully criminalized money laundering to the Anti-Drug Abuse Act of 1988, to the Depository Institution Money Laundering Amendment Act of 1990, to the Annunzio-Wylie Anti-Money Laundering Act of 1992 to the Money Laundering Suppression Act of 1994. But despite increased criminal penalties and reporting requirements, criminal syndicates still have found ways to legitimize the proceeds from their illegal activities. Of special concern is the use of off-shore corporations and banks to avoid and skirt tougher

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U.S. laws. One of the questions we will be exploring today is what the U.S. government is doing to counter money laundering overseas.

Off-shore corporations and banks are increasingly being used to facilitate the transnational illegal activities of organized criminal groups, such as the Nigerian cells, Asian Triads, Russian criminal networks, Middle-Eastern organized crime groups and South American cartels. Many of these off-shore banks face little regulation and supervision. In fact, some countries have encouraged the creation of these entities on their shores by adopting strict bank secrecy laws. The Indian Ocean nation of the Seychelles was recently chastised by the international community for setting up an off-shore banking haven tailored for the international Al Capones.

However, the problems of banking and organized crime are not isolated to small island countries, but have infected some of the biggest economies in the world. According to the Russian Ministry of Interior, 700 banks have been implicated in organized criminal activity, with 84 Russian commercial bankers being assaulted since 1991. In Japan, recent press accounts have noted a number of connections between the Japanese mafia, Yakuza, and Japan's beleaguered banking system; again with numerous assaults against senior bankers, including two executives being murdered. As U.S. banking becomes more intertwined with the banking systems of Japan and Russia, we must be careful not to allow our banks from becoming infected by the organized crime contagion.

Finally, the activities of these criminal organizations are not limited to financial crimes. Law enforcement agencies believe that a clear relationship exists between these "white collar" crimes and the more violent crimes associated with drug dealing, illegal arm trafficking, murder, extortion, and alien smuggling. By stopping the financing and money laundering aspects of their illegal empire, it is hoped that we will be able to deter the more violent criminal activity.

Today, the Committee will hear from law enforcement agencies, a bank regulator, and private experts about the threat these financial crimes pose to the banking system. The Committee will look at ways our money laundering, electronic banking, counterfeiting and bank fraud laws are being implemented and may need to be updated to combat these crimes. The Committee will also review the legal framework surrounding the supervision and regulation of offshore banking.

Because of the breadth and complexity of the problem, today's hearing can only begin to provide Members and the public a bare overview of the problem and how the U.S. and local governments are responding to it. But nevertheless it is intended to provide a blueprint for further Committee inquiries into the extent and magnitude of the problem. *****

STATEMENT OF FLOYD H. FLAKE
BEFORE THE HOUSE COMMITTEE
ON BANKING & FINANCIAL SERVICES
FEBRUARY 28, 1996

Thank you Chairman Leach for convening this important hearing, and for inviting such an impressive panel of witnesses. I would also extend a warm welcome to the Honorable Richard A. Brown, the Queens' county District Attorney.

Mr. Chairman, under the guidance of Mr. Castle, the Subcommittee on Domestic and International Monetary Policy has spent the last year examining the future of money in America. Throughout this endeavor, the subcommittee has often focused on the criminal aspects of electronic banking, and the potential for fraud in credit card, smart card and stored value card technologies.

The potential for fraud in the credit industry is an especially sensitive subject for me today, both personally and professionally. As we will hear from Mr. Brown, the

largest credit fraud ring in the nation was recently uncovered in my district. This organized criminal operation had contacts on three continents, stole over a half million dollars in cash advances, and had access to nearly \$8 million. Mr. Brown announced indictments for eight co-conspirators, with over two-hundred counts, on February 7, of this year.

The media frenzy following this discovery revealed that the criminal activity was part of an *alleged* Nigerian mafia. The arrests also shed light on the fact that banks and credit card companies lose an estimated \$3 billion worldwide from counterfeit and stolen credit cards. But for an accidental discovery of a fraudulent card, the talented investigators of the New York City Police Department and the Queens County D.A.'s office might not have discovered the operation in my district.

Again Mr. Chairman, I must stress the importance of this hearing, and thank you for providing the committee a

broad spectrum of witnesses with expert opinions. I look forward to today's testimony.

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OPENING STATEMENT
THE HON. CAROLYN B. MALONEY
HEARING ON ORGANIZED CRIME
FEBRUARY 28, 1996

Thank you, Mr. Chairman.

The kinds of financial fraud we are going to discuss today unfortunately effect every American. At the very least, each one of us pays an increased price on everything from credit cards to bank fees to make up for the dishonesty of those who don't play by the rules.

And some citizens pay a much higher price

New York City's own Queens District Attorney Richard Brown, who will be testifying here later, has done a lot to drive that point home publicly. His hard work resulted in the indictment of eight Nigerian Nationals, charged with running a multi-million-dollar nationwide counterfeit credit card operation

The victims of this scheme had their identities stolen, their accounts plundered, and their credit ratings ruined. The scary thing is, this could happen to any of us. By some law enforcement estimates, this type of financial fraud alone is a \$1.5 billion underground business.

This is one of the reasons why my colleagues Mr. Schumer, Mr. Vento and I offered an amendment to strike language from the Banking Regulatory bill which would have both increased the maximum consumer liability from \$50 to \$500 on unauthorized ATM transfers, as well as transferred the burden of proof to the customer on the issue of providing all relevant information relating to an unauthorized use

With some of the examples of illegal access to financial information and even PIN numbers before us today, I'm pleased for the American consumer that our amendment passed this committee. This is a time to maintain, not weaken, consumer protections.

I spend a lot of time on my other committee, Government Reform, working to make our government more responsive to the problems law-abiding Americans and businesspeople face.

That's why I authored the legislation to make full and open competition the law of the land in our bidding process; and that's why I drafted a bill to give our government the tools it needs to collect on the billions of dollars in bad debt owed to the American taxpayers

These reforms are about targeting the solution to fit the problem. That's what we need to combat these financial crimes.

In the area of money laundering, I strongly supported the reduction in the number of currency transaction reports that banks must file. It's the quality, not the quantity of information we gather that is important. By blanketing every transaction over \$10,000 with a reporting requirement, resources were wasted by banks and the government alike. It makes no sense to make banks file new paperwork on every \$10,000 transaction of, say, a nationally reputable department store.

Instead, Know Your Customer procedures target limited resources at the problem. By spending the time to verify a new account holder's business, a bank then has a standard of judgment to identify what would be a suspiciously high transaction for each particular customer.

In the near future, we are going to have a hearing on Electronic Benefits Transfer technology, which could move government benefits like social security and food stamps from checks and coupons to electronic benefit and debit accounts. And last year, we held several hearings on the future of money.

With all these emerging possibilities, government and business will be asking consumers to place their trust in these new forms of currency.

So as we move into this new era, we need to maintain, not weaken, our consumer protections, find ways to make our new technology both protect privacy *and* increase access to new services; and work with business, regulators and law enforcement to crack down hard on those who seek to defraud American consumers and business.

Finally, it's important to remember that these financial crimes are often vehicles for other criminal activities, whether tax evasion, illegal drugs, or even terrorism. As the President said last year, "Criminal enterprises are moving vast sums of ill-gotten gains through the international financial system with absolute impunity. We must not allow them to wash the blood off profits from the sale of drugs from terror or organized crime."

The President underlines the need for more international cooperation of the type the Administration's Financial Crimes Enforcement Network is pursuing, in cooperation with private industry and international regulators.

I hope this hearing today can provide us with some new insight and ideas to combat criminal activity aimed at our financial institutions.

Thank you, Mr. Chairman.

U.S. REPRESENTATIVE ED ROYCE
House Committee on Banking and Financial Services
Crime & International Banking Hearing
2/28/96

Thank you Mr. Chairman. I commend you for holding this hearing and I welcome our witnesses today. This is the third hearing that Congress has held regarding the issue of transnational organized crime and the threat posed to international financial systems by these organizations.

In previous hearings, we have heard that in Russia alone, organized crime encompasses some 1,500 state enterprises, 4,000 share holding societies, 500 joint ventures and 550 banks. From news reports and research done by various organizations, such as the American Foreign Policy Council, we know that the most rapid growth in organized crime in Russia is now within the financial and banking structure, and it is being coordinated by former Soviet KGB operatives.

Indeed, according to party documents and a 1992 Russian parliamentary investigation, the former Soviet First Chief Directorate, the KGB's foreign intelligence arm, was instrumental in setting up many banking institutions, which are now integrating themselves into the western banking system.

A parliamentary investigative commission, led by Lev Ponomarev and Aleksei Surkov, concluded the following: "The Politburo of the Communist Party of the Soviet Union Central Committee made several secret resolutions toward direct concealment in commercial structures of property and monetary resources actually accumulated at the expense of the nation. Based on this, at all levels of the Party hierarchy, there was a mass founding of party banks, joint enterprises, and joint stock companies in 1990 and 1991."

Published reports in the Russian and Western media say that 75 to 80 percent of all joint ventures with western companies founded between 1989 and 1991 involve officers of the KGB. With this type of KGB involvement, the Russian Mafiya has been provided with organizational experience, professional intelligence techniques and the manpower to carry out their illegal activities.

This professionalization of the Russian Mafiya poses new threats to U.S. and world financial markets. White collar crimes, counterfeiting, fraud, and money laundering are the weapons of choice, with the money then being used to expand operations into violent crimes such as drug smuggling, murder, extortion and -- most alarmingly -- trafficking in arms and nuclear weapons-grade plutonium.

With ever-expanding increased computer access and encryption decoding techniques that new technologies bring, it is hardly surprising to find that much organized crime today is being carried out via the computer. Offshore operations are being increasingly used to facilitate illegal activities of organizations not only in Russia, but also in Africa, the Middle East and South America. Information and testimony from previous hearings has shown that U.S. institutions, commercial accounts, municipalities and even our country's defense and civil systems are all vulnerable, if not under attack right now.

Today, we will hear from witnesses who will again stress the vulnerabilities of American institutions and government to these escalating "cyber-attacks," and we will hopefully hear what progress is being made to develop international laws, technologies and procedures to blunt money laundering and criminal activities in the financial sector.

But the overriding question that I hope will be addressed by each of our witnesses remains: What can we as legislators do to help? What can we do to provide our institutions and citizens with the capability to defend themselves and to punish those who would seek to conduct their criminal activities through financial systems?

We cannot allow ourselves to be complacent and we cannot allow a major failure or financial catastrophe to occur because we were not willing to take preventative measures.

Thank you Mr. Chairman, I look forward to the testimony of our witnesses.

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Opening Statement of the**HON. J.C. WATTS, JR.****Before the House Committee on Banking & Financial Institutions
February 28, 1996**

Organized crime is an oxymoron. Crime, by its very nature, is disorganization -- sick organization that creates havoc and destroys lives in its wake.

When we tackle the issue of organized crime both nationally and internationally, we are looking at a huge network of disease. We are looking at an underground economy that gets better rewards than those trying to conduct legitimate and honest business. Illicit capitalism on the streets rewards the criminal more than the family willing to risk their savings and take \$5000 to start a family business.

Billions -- maybe even trillions of dollars illegally go through an unwashed system. While legitimate people in legitimate businesses pay more than their fair share of taxes and fees, the criminals circumvent the system and exploit it for their own benefit.

Folks, it is time that we strengthen our grip on financial terrorists. By their very definition, criminals are hard to catch but that does not mean we should stop trying. Mr. Chairman, I salute you for bringing this issue to the fore. I am also anxious to hear and support our FBI agents, Secret Service agents and others involved in stopping these financial bandits from wreaking havoc on our domestic tranquility.

United States General Accounting Office

GAO

Testimony

Before the Committee on Banking and Financial Services,
House of Representatives

For Release on Delivery
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MONEY LAUNDERING

U.S. Efforts to Combat Money Laundering Overseas

Statement of JayEtta Z. Hecker, Associate Director
International Relations and Trade Issues



GAO/T-GGD-96-84

MONEY LAUNDERING:
U.S. EFFORTS TO COMBAT MONEY LAUNDERING OVERSEAS

SUMMARY OF STATEMENT BY JAYETTA Z. HECKER, ASSOCIATE DIRECTOR
INTERNATIONAL RELATIONS AND TRADE ISSUES

Money laundering is a global problem requiring collective international efforts to combat. GAO's testimony describes U.S. efforts to deter this activity, including: (1) U.S. and seven European countries' regulation of financial institutions in regard to money laundering, (2) U.S. bank regulators' oversight of money-laundering controls at overseas branches of U.S. banks, (3) U.S. law enforcement agencies' efforts to coordinate their overseas anti-money-laundering activities with host countries' law enforcement agencies, and (4) U.S. participation in international anti-money-laundering arrangements.

U.S. banking regulators' previous domestic anti-money-laundering efforts relied mainly on reporting regulations that require financial institutions to report currency transactions above certain thresholds. Current approaches include an increased reliance upon reporting suspicious transactions. Also, most U.S. banks have adopted "know your customer" policies to help identify suspicious transactions, according to the American Bankers Association. European countries GAO visited have relied on suspicious transaction reports as well as on know your customer policies to combat money laundering through financial institutions.

U.S. bank regulators may face impediments in overseeing money-laundering controls at branches of U.S. banks abroad. These branches are subject to host countries' anti-money-laundering laws rather than U.S. anti-money-laundering laws. As a result, U.S. regulators' examinations of these branches are more narrowly scoped than comparable examinations of branches in the United States. In addition, host country bank privacy and data protection laws may serve to prevent U.S. regulators from performing on-site examinations of U.S. branches in certain countries. However, regulators can rely on other means to counteract or prevent money-laundering activities at these overseas branches.

Several U.S. law enforcement agencies are responsible for investigating crimes involving money laundering. Law enforcement officials from two European countries expressed concern to GAO about the difficulties of dealing with multiple U.S. agencies. U.S. law enforcement agency officials, however, prefer not to designate a single agency as a focal point on overseas money-laundering inquiries because of jurisdictional problems. Instead, a number of U.S. agencies have adopted a July 1994 Memorandum of Understanding that aims to improve overseas coordination.

Also, the United States is working with other countries through treaties and arrangements to establish global anti-money-laundering policies, mainly through the Financial Action Task Force.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss money laundering, a global problem that needs to be fought collectively by the international community. Increased attention to U.S. efforts to combat money laundering abroad is important, particularly as U.S. efforts have made it more difficult for individuals to launder money domestically.

My testimony today will discuss (1) U.S. and selected European countries' approaches to combating money laundering through regulation of financial institutions,¹ (2) U.S. bank regulators' oversight of money-laundering controls at overseas branches of U.S. banks, (3) U.S. law enforcement agencies' efforts to coordinate their overseas anti-money-laundering activities with host countries' law enforcement agencies, and (4) U.S. participation in international arrangements to combat money laundering abroad. Our work was designed to provide a framework for understanding U.S. international efforts to combat money laundering rather than an assessment of U.S. activities in this area.

My remarks today are based on the work that we performed for Ranking Minority Member Henry B. Gonzalez over the past year and a

¹Treasury regulations implementing the Bank Secrecy Act (Public Law 91-508, Oct. 26, 1970) define the term "financial institution" to include banks, federally regulated security brokers, currency exchange houses, funds transmitters, check-cashing businesses, and persons subject to supervision by state or federal bank supervisory authorities.

half on U.S. efforts to combat overseas money laundering. Most of our work will be more comprehensively summarized in a report we plan to release shortly. In doing our work, we obtained views and material from (1) U.S. bank regulatory officials, including the Department of the Treasury's Office of the Comptroller of the Currency (OCC) and the Federal Reserve Board (FRB); (2) U.S. law enforcement officials in the United States and abroad, including the Department of the Treasury's Customs Service, and Internal Revenue Service (IRS), and the Department of Justice's Criminal Division, Federal Bureau of Investigation (FBI), and Drug Enforcement Administration (DEA); (3) Treasury's Financial Crimes Enforcement Network (FinCEN) and the Department of State; (4) law enforcement, bank regulatory, and financial institution officials we visited in England, France, Italy, Germany, Hungary, Poland, and Switzerland; (5) Interpol (the international criminal police organization); and (6) the Secretary of the multilateral Financial Action Task Force (FATF).

BACKGROUND

Money laundering, which is the disguising or concealing of illicit income in order to make it appear legitimate, is a problem of international proportions. Federal law enforcement officials estimate that between \$100 billion and \$300 billion in U.S. currency is laundered each year.

Numerous U.S. agencies play a role in combating money laundering. Law enforcement agencies within the Departments of Justice and the Treasury have the greatest involvement in domestic and international money-laundering investigations. FRB and OCC have the primary responsibility for examining and supervising the overseas branches of U.S. banks to ascertain the adequacy of the branches' anti-money-laundering controls. FinCEN provides governmentwide intelligence and analysis that federal, state, local, and foreign law enforcement agencies can use to aid in the detection, investigation, and prosecution of domestic and international money laundering and other financial crimes. In addition, other U.S. agencies play a role, including the State Department, which provides information on international money laundering through its annual assessment of narcotics and money-laundering problems worldwide.²

U.S. AND EUROPEAN APPROACHES TO COMBATING MONEY LAUNDERING THROUGH FINANCIAL INSTITUTIONS

Until recently, U.S. banking regulators' anti-money-laundering efforts relied heavily on regulations requiring financial institutions to routinely report currency transactions that exceed \$10,000, primarily through filing currency transaction reports

²See International Narcotics Control Strategy Report, U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs (Washington, D.C.: Department of State, Apr. 1995).

(CTR) with the IRS. U.S. banking regulators have also relied on approaches in which financial institutions report financial transactions involving known or suspected money laundering.³ According to a senior Treasury official, U.S. regulators' anti-money-laundering efforts in coming years are expected to rely more on the reporting of financial transactions involving known or suspected money laundering. U.S. regulators will also be expected to continue relying on CTRs, but to a lesser extent.

Most U.S. banks have adopted so-called "know your customer" policies over the past few years to help them improve their identification of financial transactions involving known or suspected money laundering, according to the American Bankers Association. Under these know your customer policies, which are currently voluntary but which the Treasury plans to make mandatory in 1996, financial institutions are to verify the business of a new account holder and report any activity that is inconsistent with that type of business. According to the American Bankers Association, these policies are among the most effective means of combating money laundering, and the majority of banks have already adopted such policies.

The seven European countries we visited have tended to model their

³On February 5, 1996, the Treasury and banking regulators finalized rules to require, in general, that banks and other depository institutions file a single report, known as the suspicious activity report, to FinCEN for suspicious transactions at or above \$5,000.

anti-money-laundering measures after a 1991 European Union (EU)⁴ Directive⁵ that established requirements for financial institutions similar to those that financial institutions conducting business in the United States must follow. However, instead of relying on the routine reports of currency transactions that the United States has traditionally emphasized, European countries have tended to rely more on suspicious transaction reports and on know your customer policies. These know your customer policies are somewhat more comprehensive than comparable U.S. ones, according to European bank and regulatory officials.

While Hungary and Poland have adopted anti-money-laundering measures following the EU Directive, banking and government officials in these two countries told us that the implementation and enforcement of their anti-money-laundering measures have been hindered. They attributed problems to such factors as resource shortages, inexperience in detection and prevention, and in Poland, conflicts between bank secrecy laws and recently adopted anti-money-laundering statutes.

FinCEN and INTERPOL have recently initiated Project Eastwash, to

⁴EU includes 15 member nations: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom (U.K.).

⁵Council Directive of 10 June 1991 on the Prevention of the Use of the Financial System for the Purpose of Money Laundering (91/308/EEC).

attempt to assess money laundering in 20 to 30 countries throughout East and Central Europe and the former Soviet Union. According to FinCEN officials, as of late 1995 on-site visits had been made to five countries to assess the law enforcement, regulatory, legislative, and financial industry environment in each nation. Information from these visits is to be used for policy guidance and resource planning purposes for both the countries assessed and U.S. and international anti-money-laundering organizations, according to these officials.

U.S. BANK REGULATORS' OVERSIGHT OF MONEY-LAUNDERING CONTROLS AT OVERSEAS BRANCHES OF U.S. BANKS

U.S. banks had over 380 overseas branches located in 68 countries as of August 1995. These branches, which are a direct extension of U.S. banks, are subject to host countries' anti-money-laundering laws rather than U.S. anti-money-laundering laws, according to OCC and FRB officials. In some cases, U.S. banking regulators have not been allowed to perform on-site reviews of these branches' anti-money-laundering controls.

U.S. Review of Some Overseas Bank Branches Faces Obstacles

According to U.S. banking regulators, bank privacy and data

protection laws in some countries serve to prevent U.S. regulators from examining U.S. bank branches located within their borders. Of the seven European countries we visited, U.S. regulators were not allowed to enter Switzerland and France to examine branches of U.S. banks because of these countries' strict bank secrecy and data protection laws. U.S. regulators, however, have other means besides on-site examinations for obtaining information on U.S. overseas branches' anti-money-laundering controls, according to FRB and OCC officials. For example, U.S. regulators can and do exchange information--excluding information requested for law enforcement purposes--with foreign banking regulators on their respective examinations of one another's foreign-based branches. In addition, FRB can deny a bank's application to open a branch in a country with strict bank secrecy laws if it does not receive assurance that the branch will have sufficient anti-money-laundering controls in place, according to FRB officials.

Examinations of Overseas Branches

Tend to Be Narrowly Scoped

OCC and FRB officials said that in countries that allow them to examine anti-money-laundering controls at overseas branches of U.S. banks, such examinations are of a much narrower scope than those of branches located in the United States. One reason is that host country anti-money laundering measures may not be as stringent as U.S. anti-money-laundering requirements and, thus, may not provide

the necessary information for U.S. examiners. OCC and FRB officials also said that the expense of sending examiners overseas limits the amount of time examiners can spend reviewing the anti-money-laundering controls of the bank. However, according to these officials less time is needed to conduct an anti-money-laundering examination at some overseas branches because of the small volume of currency transactions. FRB officials told us that they have recently developed money-laundering examination procedures to be used by its examiners to address the uniqueness of overseas branches' operations and to fit within the short time frames of these examinations. Although these procedures have been tested, they have not been implemented and, thus, we have not had the chance to review them.

U.S. LAW ENFORCEMENT AGENCIES' OVERSEAS EFFORTS

Responsibilities for investigating both domestic and international crimes involving money-laundering are assigned to numerous U.S. law enforcement agencies, including DEA, FBI, IRS, and the Customs Service. While European law enforcement officials acknowledged the important role U.S. law enforcement agencies play in criminal investigations involving money laundering, some commented about the difficulties of dealing with multiple agencies.

Some British and Swiss law enforcement officials we spoke with said that too many U.S. agencies are involved in money-laundering

inquiries. This overlap makes it difficult, in some money-laundering inquiries, to determine which U.S. agency they should coordinate with. These European officials indicated that designating a single U.S. office to serve as a liaison on these money-laundering cases would improve coordination.

According to U.S. law enforcement agency officials, however, designating a single U.S. law enforcement agency as a focal point on overseas money-laundering cases could pose a jurisdictional problem because money-laundering cases are usually part of an overall investigation of another crime, such as drug trafficking or financial fraud. Nevertheless, U.S. law enforcement agencies have taken recent steps to address overseas money-laundering coordination. In particular, a number of U.S. agencies adopted a Memorandum of Understanding (MOU) in July 1994 on how to assign responsibility for international drug money-laundering investigations. Law enforcement officials were optimistic that the MOU, which was signed by representatives of the Secretary of the Treasury, the Attorney General, and the Postmaster General, would improve overseas anti-money-laundering coordination. Although law enforcement is optimistic about improvements in coordination, we have not assessed how well U.S. international investigations are being coordinated.

INTERNATIONAL ARRANGEMENTS TO COMBAT OVERSEAS MONEY LAUNDERING

The United States works with other countries through multilateral and bilateral treaties and arrangements to establish global anti-money-laundering policies, enhance cooperation, and facilitate the exchange of information on money-laundering investigations.

Multilateral Efforts to Establish Global Anti-Money-Laundering Policies

The United States' multilateral efforts to establish global anti-money-laundering policies occur mainly through FATF,⁶ an organization established at the 1989 economic summit meeting in Paris of major industrialized countries. The United States, through the Treasury Under Secretary for Enforcement, assumed the presidency of FATF in July 1995 for a one-year term. FATF has worked to persuade both member and nonmember countries to institute effective anti-money-laundering measures and controls. In 1990, FATF developed 40 recommendations that describe measures that countries should adopt to control money laundering through financial institutions and improve international cooperation in money-laundering investigations.

During 1995, FATF completed its first round of mutual evaluations

⁶FATF consists of the following members: Australia, Austria, Belgium, Canada, Denmark, the European Commission (representing the EU), Finland, France, Germany, Greece, the Gulf Cooperation Council, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the U.K., and the United States.

of its members' progress on implementing the 40 recommendations. FATF found that most member countries have made satisfactory progress in carrying out the recommendations, especially in the area of establishing money-laundering controls at financial institutions. FATF has also continued to identify global money-laundering trends and techniques, including conducting surveys of Russia's organized crime and Central and East European countries' anti-money-laundering efforts. In addition, FATF has expanded its outreach efforts by cooperating with other international organizations, such as the International Monetary Fund, and by attempting to involve nonmember countries in Asia, South America, Russia, and other parts of the world.

A more recent multilateral effort involved the United States and other countries in the Western Hemisphere. On December 9-11, 1994, the 34 democratically elected leaders of the Western Hemisphere met at the Summit of the Americas in Miami, Florida. At the summit, the leaders signed a Declaration of Principles that included a commitment to fight drug trafficking and money laundering. The summit documents also included a detailed plan of action to which the leaders affirmed their commitment. One action item called for a working-level conference on money laundering, to be followed by a ministerial conference, to study and agree on a coordinated hemispheric response to combat money laundering.

The ministerial conference, held on December 1-2, 1995, at Buenos

Aires, Argentina, represented the beginning of a series of actions each country committed to undertake in the legal, regulatory, and law enforcement areas. U.S. Department of Justice officials told us that these actions are designed to establish an effective anti-money-laundering program to combat money laundering on a hemispheric basis. Further, the officials told us that the conference created an awareness that money laundering is not only a law enforcement issue, but also a financial and economic issue, requiring a coordinated interagency approach.

As part of another multilateral effort, FinCEN is working with other countries to develop and implement Financial Information Units (FIU) modeled, in large part, on FinCEN operations, according to FinCEN officials. FinCEN has also met with officials from other countries' FIUs to discuss issues common to FIUs worldwide. The most recent meeting was held in Paris in November 1995, during which issue-specific working groups were created to address common concerns such as use of technology and legal matters on exchanging intelligence information.

Bilateral Agreements to Improve Cooperation in International Money-laundering Cases

U.S. Treasury officials said that in recent years, the United States has relied on bilateral agreements to improve cooperation in international investigations, prosecutions, and forfeiture actions

involving money laundering. These bilateral agreements, consisting of mutual legal assistance treaties, financial information exchange agreements, and customs mutual assistance agreements with individual countries, also help to facilitate information exchanges on criminal investigations that may involve money laundering. However, the State Department's 1995 annual report on global narcotics crime concluded that many countries still refuse to share with other governments information about financial transactions that could facilitate global money-laundering investigations.

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Mr. Chairman, this concludes my prepared statement. I would be pleased to try to answer any questions you or the Committee may have.

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Statement by

Edward W. Kelley, Jr.

Member, Board of Governors of the Federal Reserve System

before the

Committee on Banking and Financial Services

U.S. House of Representatives

February 28, 1996

Mr. Chairman, I am pleased to appear before the Banking Committee on behalf of the Federal Reserve to discuss the impact of crime on the stability of the banking system and the Federal Reserve's efforts to assist banks and law enforcement officials in countering criminal activity. As a bank supervisory agency, the Federal Reserve Board places a high priority on providing assistance in deterring, detecting and reporting criminal activities directed at banking organizations, and we appreciate the Committee's interest in this important area.

Mr. Chairman, your letter of invitation asked me to address the threat criminal activity poses to the banking system, and I would like to turn initially to that issue. While all bank losses that result from criminal activity are unacceptable, it is important to put the risks associated with criminal activities affecting banks in the appropriate context. As of September 30, 1995, the over 10,000 insured commercial banks in the United States had total aggregate assets of about \$4.2 trillion, combined capital of approximately \$350 billion, and earnings of \$37 billion for the first three quarters of 1995.

In view of the current financial strength of the U.S. banking system and estimates of the extent of banks' losses resulting from criminal misconduct, which include the banking industry's 1994 estimates of approximately \$800 million in losses associated with check fraud and \$700 million from credit card fraud, we believe that losses from criminal activities do not pose a systemic risk to the banking system. Also, we have no information that suggests that any individual U.S. banking

organization has been overtaken or substantially threatened by criminal organizations or activities.

While we see no systemic threat to the banking system, we obviously are concerned about the risks to the reputation and integrity of our nation's banks arising from criminal elements using the banking system for illicit purposes. These risks are best illustrated by money laundering, estimates of which range between \$300 and \$500 billion annually. While no amount of money laundering is acceptable, there is no evidence that the flow of these funds through U.S. banks on its own poses a systemic risk. However, if left unchecked, the use of our banking system by criminal elements could undermine the reputation of banks or weaken the public's confidence in banks as safekeepers of their funds. For this reason, and to support our law enforcement agencies in their efforts to combat crime, the Federal Reserve's efforts to attack the money laundering problem continue to be one of our highest bank supervisory priorities.

Federal Reserve Role

As banking supervisors, the Federal Reserve has an important role in ensuring that criminal activity does not pose a systemic threat, and, as importantly, in improving the ability of individual banking organizations in the United States and abroad to protect themselves from illicit activities. Because bank systems and bank employees are the first and strongest line of defense against financial crimes, the Federal Reserve places a

high priority on ensuring that banking organizations have appropriate controls in place to protect themselves and their customers from criminal activities. The Federal Reserve places an equally high priority on supporting efforts by U.S. law enforcement agencies to apprehend criminal enterprises before they can cause harm to consumers and banking organizations.

A banking organization's best protection against illicit activities is its own policies and procedures designed to identify and then reject potentially illegal or damaging transactions. For this reason, the Federal Reserve and other regulators have implemented various directives for banks to establish internal controls and procedures designed to detect unusual or suspicious transactions that, if unchecked, could lead to fraud, money laundering, or other types of criminal misconduct.

To understand and properly evaluate the effectiveness of a banking organization's controls and procedures, we have developed extensive examination procedures and manuals, and our bank examiners are provided with comprehensive training and with timely information to assist them in identifying suspicious or unusual transactions. I need to emphasize, however, that we do not expect our examiners to act as police. The Federal Reserve is a bank supervisory agency, not a criminal law enforcement authority; we see our role as auxiliary to the legitimate law enforcement duties of criminal justice agencies. Our examiners do not, nor should they, possess the necessary tools required to

fully investigate and prosecute criminal conduct. This is a function ably handled by our law enforcement colleagues.

In recent years, however, the Federal Reserve determined that in some instances it is necessary to go beyond the scope of an ordinary bank examination to determine if violations of law or regulation have occurred. For this reason, in 1993 the Special Investigations and Examinations Unit was created in the Board's bank supervision division. This unit's function, in part, continues to be that of taking information developed during the course of an examination and conducting a specialized investigation or examination to determine what, if any, laws have been violated through activity conducted at a bank. The Unit notifies the appropriate law enforcement agency when apparent criminal violations are detected, and works hand in hand with them whenever necessary.

Knowing Your Customer and Suspicious Transaction Reporting

The Federal Reserve believes that the most prudent method for banking organizations to protect themselves from allowing criminal transactions to be conducted at, or through, their institutions is to adopt what has become known as "Know Your Customer" policies and procedures. Safety and soundness considerations dictate that banking organizations have adequate policies and procedures in this area, including procedures to ensure compliance with the rules and regulations designed to assist in the detection of criminal activity; decrease illegal

activity through increased awareness by employees; protect the reputation of a banking organization; and promote good, as opposed to unsavory, customer relationships.

"Know Your Customer" procedures, which are applied to all facets of a banking operation, allow the organization to identify their customers and the transactions that they conduct on a regular basis, be alert to transactions that may be irregular or abnormal for a particular customer, determine whether there is an apparent valid or lawful purpose for the transactions, and report to the appropriate authorities those transactions which appear to be suspicious or criminal in nature. One of the more significant components of "Know Your Customer" procedures is the ability of banking organizations to identify and report suspicious or potentially criminal activities. For the past ten years, the Federal Reserve and the other federal bank supervisory agencies have required banking organizations to report suspected criminal activities to us, as well as various federal law enforcement agencies. In 1995, there were over 70,000 criminal referrals filed.

In order to reduce the burden on financial institutions while increasing the usefulness of the information provided on suspected criminal conduct, the Federal Reserve, together with the other federal bank supervisory agencies and the Department of the Treasury, revised the criminal referral process in several significant respects. First, effective on April 1 of this year, the new process combines the current criminal referral rules of

the bank supervisory agencies with Treasury's suspicious activity reporting requirements related to money laundering offenses. Second, a uniform interagency reporting form has been developed for purposes of referrals to all agencies. Third, we have provided for the filing of the uniform form in one location as opposed to the current requirement of filing six or seven copies, and banks will have the ability to use computer software, to be distributed by us, to assist in the preparation and magnetic filing of the reports.

Another important improvement is the statutory protection recently afforded banking organizations that report suspicious or criminal conduct, which provides banking organizations and their employees with immunity from civil liability for reporting known or suspected criminal offenses or suspicious activities. This protection, long sought by the banking community and supported by the Federal Reserve, gives great comfort to banking organizations that they will not be held liable for providing timely and useful information to law enforcement authorities.

Federal Reserve Information Assistance

Over the years the Federal Reserve also has taken the initiative to provide timely and useful information to banking organizations with regard to ongoing criminal conduct or potential schemes that may have an adverse impact on them. In the last few years, the Federal Reserve and the other federal

banking supervisory agencies have issued bulletins on such matters as "Prime Bank Fraud" schemes and credit card fraud. Such notices to the banking industry are intended to alert banks of the potential dangers of such schemes and practices.

From time to time, the Federal Reserve has also developed and issued policy statements with regard to activities occurring in banking organizations that we have determined could pose a threat to the integrity of a bank. One such example was the Federal Reserve's development and issuance of a policy statement on "payable through accounts" in 1994. The purpose of the policy statement was to ensure that banks that engage in payable through activity--which basically involves the use of a checking account at a bank in the United States by an individual who resides outside of this country--have appropriate procedures in place to ensure that no illicit activities are being conducted through these accounts.

Also, in accordance with section 404 of the Money Laundering Suppression Act of 1994, the Federal Reserve has been working with the Treasury to establish a process whereby the federal law enforcement community will provide, on a regular basis, information with regard to new or emerging money laundering schemes, which will then be disseminated to financial institutions.

Anti-Money Laundering Efforts

The Federal Reserve continues to be a leader among the federal banking supervisory agencies in addressing money laundering-related matters. Staff of the Federal Reserve has been in the forefront of the battle to deter money laundering through banking organizations by, among other things, developing anti-money laundering guidelines, conducting money laundering investigations, providing expertise for law enforcement initiatives, and providing training to various government agencies.

Training provided by Federal Reserve staff to law enforcement agencies has included programs at the FBI Academy and the Treasury's Federal Law Enforcement Training Center. Additionally, Federal Reserve staff has provided training in anti-money laundering procedures to foreign governments, such as Russia, Poland, Hungary, the Czech Republic, Brazil, Ecuador, Argentina, and several other countries in the Middle and Far East.

In accordance with section 404 of the Money Laundering Suppression Act of 1994, the Federal Reserve chaired a working group that has developed enhanced examination procedures to identify appropriate anti-money laundering procedures initiated by banking organizations. Along with these enhanced money laundering procedures, the Federal Reserve will very shortly release newly revised Bank Secrecy Act examination procedures

that will allow examiners to determine more efficiently and effectively compliance with the Bank Secrecy Act.

Coordination Activities

The Federal Reserve routinely coordinates with federal law enforcement agencies with regard to potential criminal matters, including anti-money laundering activities. The scope of this coordination ranges from our work on the criminal referral process to specific, case-by-case assistance to law enforcement agencies resulting from examinations of banking organizations.

The Federal Reserve is a founding member and active participant in the well regarded interagency Bank Fraud Working Group, which consists of representatives of thirteen federal law enforcement and bank supervisory agencies. Among other things, this group, which has been meeting on a monthly basis since the mid-1980s, has coordinated the dissemination of relevant and timely information on such matters of mutual interest or concern as: Asian gangs' use of check fraud and check counterfeiting; West African advance fee schemes and credit card fraud; and asset forfeiture of criminally derived funds.

The Federal Reserve is also an active participant in the Financial Action Task Force (FATF), which was established by the G-7 group of countries. Board staff has contributed significantly to the FATF's mission of educating countries around the world in anti-money laundering and fraud prevention efforts.

Off-Shore Corporations and Banks

As a result of our staff's work with law enforcement authorities, we recognize that crime is an international activity that is increasingly making use of off-shore corporations and banks. These are two separate problems that we address in different manners.

With regard to off-shore corporations, because the Federal Reserve cannot control a sovereign nation's laws governing the establishment of corporations in its territory, we can only address the activities of these companies when they seek to do business in the United States through banks we supervise. In this regard, our principal tool is the "Know Your Customer" policy. As I said before, every domestic and foreign banking organization supervised by the Federal Reserve should have adequate policies in this area. This means, for example, that if a state member bank or a U.S. branch of a foreign bank maintains a deposit relationship with a corporate entity, wherever it is chartered, it should take steps to identify its business and the nature of its routine transactions in order to evaluate better whether it is engaging in any suspicious activities. While no federal bank regulator or law enforcement agency can monitor every transaction undertaken by every corporation doing business with a U.S. financial institution, we can, and we routinely do, measure the internal controls and risk management systems implemented by the banks to make certain that the banks are in fact adhering to their policies and are aware of the business of

their customers, including any that may use off-shore corporations.

With regard to foreign banks, the Board, since it was given the power by Congress in 1991, carefully scrutinizes any foreign bank seeking to do business in the United States. This includes making certain that the bank is subject to comprehensive consolidated supervision in its home country, reviewing the bank's global anti-money laundering procedures, and conducting background checks with U.S. law enforcement and other agencies. In addition, as I mentioned, we thoroughly review the operations of these banks in the United States to make certain their activities here fully comply with U.S. laws and regulations. The Federal Reserve is also working in a number of areas to improve the bank supervisory standards in other banking centers and to make certain that there is adequate cooperation among supervisors so that gaps do not occur in the consolidated supervision of international banking organizations.

Conclusion

In conclusion, we have undertaken extensive efforts and have used significant resources to combat illegal activities involving domestic and international banking organizations. I believe that the Federal Reserve has made significant contributions to the federal government's law enforcement endeavors. Because we have a vital interest in protecting the banking system from criminal elements, we will be continuing our

cooperative efforts with other bank supervisors and the criminal justice agencies to develop and implement programs to better detect criminal misconduct involving banks.

Statement
of
Stanley E. Morris
Director
Financial Crimes Enforcement Network
(FinCEN)
before
the
Committee on Banking and Financial Services
House of Representatives
Wednesday
February 28, 1996

Mr. Chairman and Members of the Committee, it is an honor and a pleasure to be here today to testify about the increasing threat posed by international organized crime to the world's financial systems. The Committee, which has given us major anti-money laundering tools in the past, is now giving us an excellent opportunity to discuss the evolution of international criminal organizations and their impact as economic powers.

Before I discuss the issue of organized crime, let me describe the mission of the Financial Crimes Enforcement Network--FinCEN. FinCEN establishes, oversees, and implements Treasury's policies to prevent and detect money laundering. It provides analytical case support to many federal agencies, including the U.S. Secret Service, IRS's Criminal Investigations, U.S. Customs Service, FBI, and the Drug Enforcement Administration which are significant investigators in the area of financial crime. FinCEN also administers the Bank Secrecy Act, which is a key component of Treasury's efforts to fight money laundering. In addition, FinCEN is a leader in international efforts to build effective counter money laundering policies and cooperation. I'll describe that part of our mission in more detail later.

During my statement I would like to talk less about the past--we all know that the threat of organized crime exists. Rather, I would like to look to the future and engage you in a dialogue about where we go from here, about change and the risks and opportunities change presents. It is absolutely clear that transnational crime and money laundering are going to continue to be a challenge to law enforcement agencies around the world. We must move quickly to redesign our strategies. I believe in the United States we have taken an important first step toward doing just that. We in federal law enforcement have recognized that we cannot do the job alone. We must team up with our partners -- state and local authorities, as well as the financial services sector. And, most importantly, we must network globally.

Review these two statements. You will learn later who said them, but look for the overriding concern--

Quotation #1: "This (killing of bankers) continues and it will continue in the future. The economic situation is such that the criminal world keeps trying to win control over the banking sphere. It was not an unmotivated murder. It was linked to big money."

Quotation #2: "We must act firmly, quickly and effectively to protect our economies and our societies and ensure that our financial centers attract honest business and long-term investment. We must not let bad money drive out good."

Neither of these statements were made by a law enforcement official. The first quotation did not come from the Russian Minister of Internal Affairs but was a statement from the Russian Association of Banks. The second quotation was not issued by the head of Scotland Yard, but was part of a speech given by Kenneth Clarke, the British Chancellor of the Exchequer. Clearly something unique is occurring in the area of money laundering. It is no longer a law enforcement issue alone. It is becoming clearer that the problems we are facing require broader and more sophisticated solutions.

The past decade has brought unprecedented changes to the world's economy and the structures of government. National boundaries no longer have the same meaning as they did during the Cold War. For example, the development of the European Community has forever changed the social, financial and commercial nature of Eastern and Western Europe. Trade agreements, such as NAFTA, have nullified traditional obstacles and increased the flow of goods and capital between the nations of this hemisphere.

Intensifying this trend of globalization is the unprecedented spread of democracy and free markets throughout the world. These developments are also augmented by rapid advances in technology that have revolutionized our methods of commerce as well as our capacity to communicate.

Global Finance magazine reports that a decade ago, daily trading in currencies was approaching the sum of \$200 billion. Today it is more than six times as much -- \$1¼ trillion a day, or 100 times the volume of world trade. In addition, cross-border capital flows have exploded during the same period. The outflow alone from the Organization for Economic Cooperation and Development countries was as much as \$654 billion in 1993. Finding illegal activity and dirty money is placing severe strains on law enforcement's capabilities.

While there are inherent risks in this rapid pace of change, it is also evident that there are many benefits stemming from this new world environment. Clearly there are many new opportunities for criminals to exploit the revolutionary changes that are occurring in the world's financial systems.

Colombia, Russia and Italy are only three examples where organized crime has successfully infiltrated governments and legitimate institutions. Organized criminal entities have hidden within these institutions, using technology to avoid detection, while building influence and power at the citizen's expense. News reports provide a chronicle of organized crime's growing infiltration of the Russian banking system.

Because of the evolving world environment, governments are changing the way they look at criminal activity, economic development and foreign trade. Traditionally, governments have compartmentalized their strategies for dealing with these subjects. Criminal activity was the

domain of law enforcement. Economic development was the mission of finance ministries. Foreign trade was the realm of foreign affairs and trade ministries. The private financial systems were separate and apart from the governments.

As commerce is globalized, so is crime. Consequently, governments can no longer compartmentalize their response to criminal, economic and trade issues. This new environment has forced governments to think creatively, outside the envelope, to address this trend.

This is what we have been forced to do, for example, within my own organization--FinCEN. Just as we have moved to build partnerships with the American banking industry--and I'll talk in more detail later about some of the key components of this new relationship--so too have we recognized the need to build transnational partnerships through bilateral and multilateral initiatives with our counterparts. The proceeds of crime generated here in the United States move quickly across national boundaries and into the world's financial systems. International organized crime is just that--international. The federal law enforcement cases involving international organized crime that FinCEN supports frequently spill over into multiple national jurisdictions and the web of global financial services. The only way we can adequately assist our federal law enforcement counterparts in following the trail of the multinational money launderer is through our linkages with multilateral arrangements such as the G-7 Financial Action Task Force and FinCEN-type organizations worldwide.

Today, I would like to outline for you five major initiatives which illustrate how governments are trying to rise to the challenge of dramatic change in the globalized world economy.

1. Presidential Initiatives

At the 50th Anniversary of the United Nations on October 22, 1995, President Clinton outlined his initiatives to combat transnational crime including drug trafficking, arms smuggling and terrorism. President Clinton said:

“...I directed our government to identify and put on notice nations that tolerate money laundering. Criminal enterprises are moving vast sums of ill-gotten gains through the international financial system with absolute impunity. We must not allow them to wash the blood off profits from the sale of drugs, from terror or organized crime.”

He further urged the members of the United Nations to:

“...join in negotiating and endorsing a declaration on international crime and citizen safety, a declaration which would first include a no-sanctuary pledge, so that we could say together to organized criminals, terrorists, drug traffickers and smugglers, you have nowhere to run and nowhere to hide.”

In order to implement his goals, the President is assigning a very high priority to negotiating agreements that ensure governments' compliance with internationally accepted anti-money laundering standards. FinCEN is coordinating this initiative and working with the Departments of State and Justice, the bank regulators and the intelligence community to complete this process.

The President's initiative recognizes that money laundering limits economic development, foreign trade and the democratization of nations. Most importantly, his initiative provides a framework for the world community to begin confronting this problem. Without the cooperation of all our global neighbors, money launderers will always have a safe haven.

2. Summit of the Americas

In December 1994, President Clinton hosted the Summit of the Americas in Miami. As a result of this conference, the leaders of this hemisphere's democratic nations directed their governments to work on a cooperative plan to counter the growing economic and legal problems of money laundering. These governments recognized the dangerous and destructive effect money laundering has on our economies and on private and public institutions. Money laundering is central to profit making in the drug trade.

On December 1-2, 1995, Secretary of the Treasury Robert Rubin chaired a conference in Buenos Aires, Argentina that was attended by Ministers from the 34 Summit of the Americas participating nations. This conference fulfilled the directive set in Miami to promote the effective detection, prevention and investigation of money laundering. The heads of delegation in attendance represented the leaders of Interior, Justice, and Finance Ministries as well as the heads of Central Banks. After two days of discussions, the conference produced an agreement among nations. FinCEN coordinated the U. S. efforts. This accord marks a vital step forward in domestic and international efforts to track the proceeds of illicit activities and impede criminals from developing the wealth from their activities that can give them the power to undermine the fragile democracies in our hemisphere.

Among other things, the agreement formalizes the member nations' agreement to:

- criminalize the laundering of the proceeds from drug trafficking and other serious crimes, and promote other laws that allow for the seizure and forfeiture of such proceeds;
- take actions to promote an effective working relationship between financial regulatory authorities and the institutions that they oversee;

- enhance the tools available to law enforcement authorities as they investigate money laundering. Included among such enhancements would be the creation of financial intelligence units, similar to FinCEN, that specialize in the collection and analysis of pertinent financial records in order to help track criminals' financial activities. It also allows for cooperative methods for the reporting of suspicious financial transactions.

As the conference in Buenos Aires drew to a close , Secretary Rubin stated:

"Today, the nations of this hemisphere have declared there can be no sanctuary for money launderers.... In a truly international economy, when technology allows the rapid movement of large sums of money around the world, we must not -- as the President said -- allow criminals to wash the blood off the profits of drug sales, or finance terrorism or underwrite all manner of crime, by leaving open avenues for the laundering of the proceeds of crime."

President Clinton issued a statement on the Summit in which he noted:

"America will fight the war on drugs and crime on all fronts, both at home and abroad.... With our neighbors in the region, we are taking an important step by targeting the cartels and criminals who, until now, have moved vast sums of ill-gotten gains through international financial systems with absolute impunity. Finally, the nations of this hemisphere are standing as one to say 'No more.'"

3. Financial Action Task Force

The Financial Action Task Force (FATF) was established at the direction of the 1989 G-7 Economic Summit in Paris, France. FATF has become one of the key organizations that addresses the global problem of money laundering. It is composed of 26 countries, the European

Community and the Gulf Cooperation Council. The task force includes representatives not only of member nations' law enforcement agencies, but representatives of central banks and finance ministries. In July 1995, the U.S. assumed the Presidency of FATF for a one year term and FinCEN is serving as the lead agency for coordinating the U.S. role within FATF.

FATF has worked diligently to increase the global awareness of money laundering as well as to establish international anti-money laundering standards. It is dedicated to promoting the development of effective anti-money laundering controls and enhancing cooperation against money laundering among its membership and around the world. Further, FATF provides a forum for the exchange of information and intelligence on prevailing typologies and trends in money laundering. Since the creation of FATF, more than two dozen countries have enacted counter money laundering laws. Small countries, such as Slovenia have enacted legislation, and, in fact, just last week, the Czech Republic strengthened its counter money laundering law. In addition, several off shore banking centers, such as the Bahamas and Panama, adopted broad, new anti-money laundering policies and/or laws last year.

While FATF is not a legislative body or investigative task force, it serves as a policy making body designed to generate political will. And there are very solid examples of FATF's influence. In mid-1994, a U.S. Customs Service investigation revealed that 100 businesses in South America and Europe were involved in a money laundering network. The network was considered one of the largest used by the Cali cartel. The investigation spread from the U.S. to France, Spain and Italy. It resulted in the arrest of 91 people, the seizure of \$15 million in cash along with 43 kilos of cocaine. The impact of FATF can be seen in the arrest of the Italian

suspects. They were arrested pursuant to a law which had been enacted in order to comply with FATF's internationally recognized standards. The influence of FATF bore results.

FATF efforts, in part, have also resulted in the establishment of Financial Intelligence Units (FIUs) in various nations around the world to protect the banking community, to detect criminal abuse of its financial system and to ensure adherence to its laws against financial crime. The Financial Crimes Enforcement Network is one model of an FIU and others exist in such countries as Great Britain, France, Belgium, the Netherlands, Argentina and Australia. Where five years ago, there were fewer than five FIUs in the world, today there are more than 15 countries with financial intelligence units focused on money laundering issues. As world policy efforts intensify in addressing international crime, Treasury, State and Justice are assisting with the establishment of FIUs in countries such as Poland, Panama and Ecuador.

Perhaps one of the most significant qualities of the FIUs is that many operate separately from the Justice Ministries in their respective countries. The FIUs have independent and unique relationships with banks, central banks and law enforcement. These relationships allow FIUs to foster the partnerships that are essential to combating money laundering and financial crime. They bridge the private and governmental sectors in an effort to force attention to this problem outside of the narrow bureaucratic thinking of the past.

FATF also encourages the development of partnerships with the private sector. Last month it held its first ever Financial Services Forum. The forum was initiated as part of FATF's mandate to foster greater international cooperation in combating money laundering by reaching out to the financial services industry.

Attended by nearly 70 representatives from the financial services sector in each of the 26 member nations of FATF, the Forum focused on issues of mutual interest including new money laundering techniques, the use of emerging technologies, and the financial sector's views of the FATF standards.

We are hopeful that the Forum will result in further initiatives between FATF and the private sector.

4. Asia Pacific Economic Council

As you know the Asia Pacific Economic Council (APEC) is a forum designed to facilitate trade and economic development in the region. Countries such as China, Singapore, Japan, Canada and the US are members of APEC. FinCEN has worked closely with Treasury's Office of the Assistant Secretary for International Affairs to inject an awareness of the economic consequences of money laundering and other financial crime into the APEC process.

At the APEC Finance ministers meeting in Bali, Indonesia in April 1995, a Joint Ministerial Statement noted:

"It is important, in the context of strengthening capital markets, that we support international anti-money laundering efforts in the region and encourage adherence to the international standards and recommendations which have been developed in this area."

That statement marks the first time the APEC Ministers formalized their support for anti-money laundering programs in Asia. This event further raised the issue of money laundering to a macro economic level meaning that member countries will consider this issue when formulating economic policy. Specifically, when considering capital flows between APEC nations, governments will take into account that some of this money may come from illegitimate activity.

Again APEC is not a law enforcement organization. Finance and trade ministries in the burgeoning economies of the Pacific Rim are beginning to recognize their responsibilities to address the threats that criminals pose to the new economic world order.

In addition, FATF nations hope that APEC will support the creation of an Asian Financial Action Task Force (AFATF). APEC's endorsement of this organization will build awareness of financial crime issues and would potentially sway new nations to join AFATF. It is imperative to have the cooperation of as many nations in a region as possible to thwart money laundering.

5. Technology

Policing a society in the throes of fundamental change means putting that change at the top of the agenda. The computer lab and squad room seem worlds apart, but they're not. As I have said, the changing financial world creates vast opportunities for criminals. Technology is a critical part of this trend. Any individual using a relatively inexpensive computer and a common telephone line can move enormous masses of data around the world at nearly the speed of light and hide data in ways that even a skilled professional cannot detect. New cyberpayments systems are coming on line, some designed by brilliant entrepreneurs who know technology but do not even come from the financial world. So could disreputable entrepreneurs. We will need partnerships with these new industries. We have begun.

Last September, FinCEN hosted a day-long Colloquium at the New York University School of Law to discuss the implications of these technologies. Bank regulators, credit card companies, CEOs from the United States and Europe, as well as academics and prosecutors attended and shared their views.

Another example of a partnership is the Suspicious Activity Reporting System. Last month we "turned the switch" implementing the new national System, administered by FinCEN in a unique partnership with the IRS Detroit Computing Center, federal law enforcement and the five bank regulatory agencies. In the context of technology and keeping up with the criminals, this Suspicious Activity Reporting System will significantly improve our ability to detect criminal financial activity, to assure that information about the activity gets to the proper law enforcement and regulatory authorities, and to gain a broader, strategic understanding of the national and global implications of attempts by international organized crime to subvert our banking systems.

In addition, we are reaching out through authorities provided under the Bank Secrecy Act to strengthen potential weak links among our non-bank financial institutions--broker dealers, casinos, money transmitters, for example--which we have learned by experience can be used to obscure the movement of criminal proceeds. And we are doing it in a way that actually reduces the reporting burdens placed on private industry, and that makes the industry an equal and vested partner in combating money laundering and other financial crime.

One result of the efforts I described above has been that criminals can no longer rely on traditional means of laundering their money--traditional avenues are being closed off. Because of efforts like the Financial Action Task Force and the focus on non-bank financial institutions, criminals must take greater risks to exploit the financial systems which in turn makes them more vulnerable to detection.

The U.S. Customs Service has reported that currency smuggling is on the rise. The smuggling of cash out of the United States has also become more expensive as criminal

organizations have had to establish business relationships with companies involved in commerce to source countries. In some cases they have had to purchase companies outright.

Many criminal organizations are desperate to move their cash out of the country because it's just too risky to launder it here. Presently, the safest way for criminals to repatriate criminal proceeds to Colombia is to sell their U.S. dollars to Colombian businesses. This procedure of hiding their money is complicated, involves many steps and is therefore expensive. According to reports, the cost of laundering has risen from six percent in the mid 80's to more than 20 percent today. We are having an effect on the day-to-day laundering operations.

Conclusion - Cooperation

This new era is altering the roles of law enforcement, central banks and financial institutions. No single group alone can protect the financial system from abuse. We must find new ways to work together to ensure that criminals do not exploit the very systems that are essential to legitimate businesses and consumers. We must all take some responsibility during this age of globalization.

Technology makes the globalization process irreversible. Change is our challenge. Secretary Rubin has been leading the Treasury campaign to break out of the old molds and meet the challenge. Transnational organized crime is already exploiting change and the fading of national boundaries. Together, we must send a clear message that money laundering will not be tolerated in the new world economy. Only together do we have a chance of succeeding. Thank you.

Remarks by

Special Agent Harold D. Wankel

Chief of Operations
Drug Enforcement Administration
United States Department of Justice

before the

**House Banking and
Financial Services Committee**



Rayburn House Office Building
Room 2128
Washington, D.C.
February 28, 1996

NOTE: This is the prepared text and may not reflect changes made in actual delivery.

Remarks by Special Agent Harold D. Wankel
DEA Chief of Operations
House Banking and Financial Services Committee
Washington, D.C.
February 28, 1996

Mr. Chairman, Members of the Committee: I'm pleased to appear before you today to discuss the threat organized criminal groups pose to the international banking system. Perhaps the most notorious and dangerous of these criminals are international drug traffickers, who launder their illegal drug money through a variety of financial systems, including the legitimate banking industry.

The Drug Trade: An International Business

As you know, the laundering of illegal drug profits is an integral part of drug trafficking, as important and essential to drug trafficking organizations as the distribution of the illegal drugs themselves.

Drug organizations are truly international businesses, and like any business, these organizations are fueled and motivated by huge profits that are their lifeblood.

Drug trafficking is a multi-billion dollar cash business, and drug money is essential to these enterprises. Without it, they cannot finance the manufacturing, the transportation and the smuggling, the distribution, the murder and the intimidation that are essential to their illegal trade. Drug money laundering organizations are established to ensure the cash flow to these illegal businesses.

Profits from the sale of illegal drugs are recycled through laundered investments, which take place across many borders—and often involve international financial institutions—banks and money exchange houses. With today's sophisticated banking techniques, including the electronic transfer of money, once the money enters into the banking system, it can be

transferred among dozens of banks within a 24-hour period, making the paper trail either impossible or extremely time-consuming to follow. Globalization of the drug trade has necessitated an expansion and sophistication of the laundering of illegal drug profits.

As the international drug markets have been expanded across all continents and into virtually every nation, so too have methods used to launder—or make legitimate—illegal profits of the global drug trade. Methods of laundering drug money vary by country and region of the world driven by a number of factors, including the sophistication of banking and financial centers, the existence of underground banking systems that operate largely along ethnic lines, and strength of enforcement pressure.

This morning, I'd like to give you an idea of the magnitude of the problems law enforcement officers face with international drug money laundering and the progress we've made with our international partners toward putting a choke hold on the flow of profits back to the illegal drug trafficking enterprises. I will concentrate my discussion on those countries and areas of the world where law enforcement is seeing the majority of drug money laundering activities, beginning with the epicenter of the cocaine trade, Colombia.

Colombia

The Cali mafia is still one of the primary recipients of drug proceeds from the United States. Until just recently, they were responsible for 80 percent of the cocaine sold on the streets of the United States. Colombian economists conservatively estimate that each year \$4.5 billion is repatriated to Colombia by drug traffickers. The arrests of the Cali leaders in 1995 and the emergence of crime syndicates from Mexico have impacted somewhat the amount of U.S. dollars flowing back to Cali, but the long-term impact has not yet been determined.

These dollars are controlled by a cadre of well-educated, skilled accountants, who follow the rules of business drawn up by Cali mafia

leaders to literally keep track of every dollar in their worldwide trafficking network. The city of Cali stands as a monument to the billions of narco-dollars the Cali mafia has returned to Colombia. Majestic, modern skyscrapers fill the skyline of the city—many of which remain unoccupied—none of which has outstanding mortgages.

The alliance of the Cali mafia with the trafficking organizations in Mexico has created a highly effective method of repatriating Cali profits. Money laundering has evolved from the late 1970's and early 1980's when traffickers simply showed up at U.S. banks with suitcases full of money, deposited it in accounts, and then had it transferred either back to Colombia or to safe havens in Europe and offshore banks.

After legislation in the U.S. forced the reporting of deposits over \$10,000, "structuring" became the method of choice for many money launderers. One form of structuring is "smurfing," in which individuals recruited by the Colombians run from bank to bank and deposit just under \$10,000 in cash. An organization of ten smurfs, each hitting ten banks a day can convert about \$1 million in cash each day into a small stack of cashier checks of \$9,000 to \$9,900 each, which is much easier to get out of the United States.

This system was cumbersome, however, and not without substantial risk. As the Cali mafia began to monopolize the cocaine trade in the 1990's and their profits began to soar, they turned to bulk transfers of cash in commercial shipments.

To solve some of their money transfer problems, Colombian traffickers bought a fleet of large planes, such as Boeing 727s, Caravelles, and the Turboprop Lockheed Electras, gutted them and used them to transport multi-ton loads of cocaine to Mexico, Canada, Portugal and West Africa for sale in the U.S. and Europe. Once they offloaded the cocaine, they reloaded the planes with U.S. cash, sometimes as much as \$20 to \$30 million in drug profits, to return to Colombia.

Bulk shipments of cash, whether in cargo planes or commercial shipments continue to be the primary method of smuggling cash; however, another increasingly popular method of laundering drug proceeds is "dollar discounting." This method involves a broker approaching a legitimate businessman in Colombia that needs U.S. dollars to buy goods in the United States. The money broker simply sells the drug proceeds, which are already in the United States, to the businessman at a discounted rate up to 20 percent. The businessman then deposits the equivalent sum in pesos in the trafficker's bank account in Colombia and his or her agent in the U.S. picks up the U.S. dollars. The discount rate of 20 percent is a dramatic increase in the cost of doing business for Cali money launderers. Previously, Colombian brokers paid between 6 and 10 percent to move funds into Colombian accounts.

We've also seen an increase in the shipment of large quantities of postal money orders. The money orders, with names left blank, are sent directly to Colombia and Panama. There, the funds are sold to "casas de cambio"—or money changing houses—for cash that will be deposited into the traffickers' accounts. The money orders are then sold and resold through the networks of casas. They are finally redeemed at banks outside of Colombia. When the U.S. Post Office began to detect this money laundering pattern and began to seize these funds, the money movers began to send the money orders back to the United States to be deposited into bank accounts.

More sophisticated alternatives to the banking system have also surfaced, such as the laundering of drug money through import-export businesses and other front companies. Elaborate import-export schemes are being used to make drug proceeds appear as legitimate income. Falsified export documents, bills of lading, and invoices for goods being shipped out of Colombia to the United States are used to justify large payments sent to Colombia.

The use of payable-through-accounts held in U.S. banks by foreign banks makes it difficult for law enforcement to trace the money. These accounts can have hundreds of sub-account holders in foreign countries

who have complete access to these accounts but who are unknown to the U.S. bank and maybe even to the foreign bank.

The goal of all these schemes is to get the money into the banking system, unchallenged. Last year, Colombia passed a law requiring Colombian banks to report large currency transactions; however, once in the system, the money can be wire transferred into a labyrinth of worldwide accounts at a moment's notice.

The arrest and continued incarceration of major Cali drug lords have disrupted the financial safe haven status Colombian traffickers have enjoyed at home for many years. The enforcement of currency requirements and anti-corruption police efforts have also placed drug assets at risk in Colombia.

The international net is continually drawn tighter, limiting opportunities for Colombian traffickers to conceal their assets with a minimum of risk. For example, organized crime is believed to control 20 percent of the commercial banks in Russia, however, the lack of stability in the country, as well as no long-standing basis of trust, has precluded major investment in that alternative. Recent seizures and forfeitures in Europe, particularly the \$142 million seizure from Colombian trafficker Julio Nasser-David in Switzerland has caused considerable concern on the part of Colombian drug lords about putting their illegal money into European banks.

The key to our future success in Colombia and Mexico, as well as the Far East, is promoting strong money laundering laws that are strictly enforced in all countries, and maintaining strong ties with foreign officers in the financial centers around the world. Under Presidential Directive Decision (PDD) 42, we are addressing those countries that are the most egregious in offering safe havens to traffickers' illegal money.

On October 21, 1995, President Clinton used the authority given him by the International Emergency Economic Powers Act to invoke economic sanctions against 97 companies and individuals who are involved with four

members of the Cali drug mafia. It is now illegal for any U.S. company to trade with these businesses or individuals. This is another tool we can use against the drug traffickers and their illegal wealth, and we are encouraged by the positive results we are seeing.

Mexico

As drug organizations from Mexico become more powerful in the international drug trade, so too does their influence in money laundering. Mexico returns more surplus currency to the United States than any other country. We are now seeing millions of dollars laundered by Mexican organizations. The primary reason for this is that the Colombians are now paying the Mexican transportation organizations in cocaine. Considering 80 percent of the cocaine smuggled into the United States comes through Mexico, the Mexican Federation is indeed a major player in the drug trade and must find ways to launder and conceal the profits from their cocaine sales.

Because of the difficulty of laundering money through traditional financial institutions and the proximity of Mexico to the United States, Mexican drug traffickers simply smuggle bulk shipments of cash across the U.S.-Mexico border. In Mexico, between April and October 1995, Mexican authorities made three seizures of U.S. currency which totalled nearly \$20 million. Last April, \$6.2 million was discovered inside in a shipment of air conditioners at the Mexico City Airport. The following month, Mexican authorities seized \$1.5 million from a Colombian money launderer at the Mexico City Airport. And in October, Mexican officials found \$12 million inside suitcases taken from a private plane that is believed to belong the Carrillo-Fuentes drug organization.

Each year, over 500,000 bank drafts drawn on Mexican banks enter the U.S. One bank in Arizona determined that the average Mexican bank draft was valued at \$65,000, but that it was not unusual to clear drafts in excess of \$200,000 to \$400,000. Mexican bank drafts which were not subject to U.S. reporting requirements now must be reported and the implementing regulations are being written. Previously, this was a

significant method of reintroducing drug profits back into the United States.

Although illicit enrichment is illegal and money laundering is a fiscal offense in Mexico, money laundering is still prevalent and not a criminal act. Banks are also required to keep records of transactions and make them available to law enforcement authorities upon request. However, DEA sources report that many Mexican traffickers have purchased large shares of banks and placed members on boards of directors. As a result, many banks keep two sets of books and bank examiners are paid off by corrupt bank officials. In addition, much of the money that is going back into Mexico is being invested in the infrastructure of the Mexican economy and is not subject to seizure. Money is also invested in U.S. institutions, as well as financial institutions throughout the world.

As a fiscal offense, money laundering charges provide for fines and sentences of up to 5 years. In Mexico, the money laundering law targets any illegal act, including tax evasion, illicit enrichment, corruption, as well as drug trafficking.

In May 1995, Mexican Attorney General Antonio Lozano announced that his office would be drafting a new money laundering law aimed specifically at Mexico's major drug trafficking organizations. The bill, which is to be presented before Congress sometime in 1996, criminalizes money laundering under the penal code.

Currency Transaction Reporting (CTR) requirements unfortunately are not part of the proposed legislation, however, the pending bill attempts to fill some of the loopholes of the existing law. For example, it provides for penalties for banks who fail to report suspicious transactions. The bill would also reverse the burden of proof in asset forfeitures related to drug cases. As in the United States, the defendant would have to prove that his or her possessions were derived from legitimate sources. The primary opposition to this proposed legislation comes from the banks and financial institutions, as well as the close-knit community within Mexico that has controlled the vast majority of business in Mexico for years.

Southeast Asia

Unlike cocaine organizations, which are largely Latin-based and concentrated in the Western Hemisphere, heroin traffickers are more diverse and they operate from bases all over the world, including Southeast Asia, Southwest Asia, the Middle East and now Colombia.

International law enforcement efforts are frustrated by the fact that opium cultivation and heroin manufacturing primarily takes place in countries with extreme political turmoil and developing governments. Because of this, our nations have limited access and influence in the key heroin source countries of Southeast and Southwest Asia.

Money laundering in this area of the world is conducted through a complicated maze of trusted confidantes who have done business together for generations. These underground banking systems go back years and years to a time when family members worked away from home and needed to get their wages back to their families in other provinces. That same system exists today and is used to launder millions of dollars in drug money for Southeast Asian traffickers.

I'll confine my remarks to the most active of the money laundering countries in Southeast Asia—Singapore, Thailand, and Hong Kong.

Singapore

Although there is neither cultivation nor processing of drugs in Singapore, it is an important financial center for narcotics-related proceeds. Along with Hong Kong, Singapore plays a key role in the transfer and concealment of proceeds from the sale of Southeast Asian heroin.

While Singapore is not a signatory to the Vienna Convention, it is a member of the Financial Action Task Force (FATF) and continues to maintain a tough stance towards drug trafficking. In 1993, Singapore

passed The Drug Trafficking (Confiscation of Benefits) Act, which provides for 7 years incarceration and a fine of \$100,000.

A recent case involving the RCMP and DEA demonstrates their commitment. In what has been called Singapore's biggest money laundering case, between 1992 and 1995, law enforcement authorities seized \$5.4 million in Singapore currency, equal to \$3.8 million in U.S.dollars. Officials in Singapore believe that between 1989 and 1992 a drug trafficking group funnelled approximately \$100 million in U.S. currency through one underground bank in Singapore to Bahrain and ultimately to the organization's worldwide bank accounts. Singapore's Commercial Affairs Department has frozen the equivalent of \$20 million U.S. dollars from previously arrested and convicted members of this hashish and marijuana organization.

Thailand

Thailand has an extensive and efficient network of banks and financial institutions which are used by drug traffickers to move and hide their proceeds throughout Asia.

Thailand had a number of significant accomplishments in the past year in terms of fighting drug-related money laundering. Last year, approximately 138 investigations were initiated under Thailand's asset seizure law, and last fall, the first criminal convictions and forfeiture actions were handed down. As of mid-December, over \$9 million had been frozen compared to \$1 million just one year ago.

Thailand has enacted narcotics conspiracy and asset forfeiture laws. The asset forfeiture law stipulates that the suspects are required to prove their assets have been acquired through legal means.

Thailand has taken major steps to become a major financial center in Asia. The country has established offshore banking and has issued a number of licenses. Those banks can take deposits in foreign currencies and borrow in foreign currencies from local and foreign institutions.

Thailand has proposed a new money laundering law which addresses only drug proceeds. The law will require recording and reporting of significant and suspicious transactions, as well as provisions that protect bank employees who comply with the law from retribution.

Real estate continues to be a widely used means for investing drug proceeds. Drug traffickers have also invested in companies involved in rubber processing, seafood packing, food products, import-export businesses hotels, and jewelry shops. Underground banking uses these businesses to send money around the world.

Hong Kong

With its flexible corporate laws, sophisticated banking industry and currency and exchange controls, Hong Kong is a prime location for the laundering of illicit proceeds by narcotics traffickers. Hong Kong, however, has implemented asset seizure, money laundering and organized crime legislation. The law requires that bankers notify authorities of suspicious transactions. After bankers received training about what to look for, the reporting of suspicious transactions rose by 288 percent in one year, however, no existing legislation regulates the extensive network of underground bankers operating throughout the country.

Other legislation allows the U.S. to request civil forfeiture of identified proceeds of drug trafficking. Another law allows the Hong Kong government to identify and seize proceeds generated from any crime, not just those linked to drug trafficking.

Money laundering is a criminal offense, and the law allows the government to trace, freeze and confiscate proceeds from convicted drug traffickers. In 1995, Hong Kong concluded its first successful money laundering prosecutions. Two members of a Chinese Triad were convicted of laundering approximately \$56 million of heroin trafficking proceeds.

We don't know what the impact on drug trafficking and money laundering will be when Hong Kong reverts to the People's Republic of China (PRC) in 1997.

Emerging Threats

Nigeria

Nigeria is a home base for major trafficking groups who smuggle Southwest Asian and Southeast Asian heroin into the United States and Europe. The Nigerians are using South Africa as transshipment point as well.

Although Nigeria is neither a significant regional or international financial center, nor an important tax haven or offshore banking center, drug traffickers have laundered money in Nigerian financial institutions. Drug profits are being pumped into the economy, as well as being laundered for reuse in other countries.

The Nigerians use a variety of methods, including bulk smuggling in electronic car traps, refrigerators and other merchandise which is later sold; wire transfers to Hong Kong and Thailand; couriers; and the purchase of "junk commodities" that are later sold for high prices.

Foreign currency accounts in Nigerian financial institutions are not prohibited, nor do banks have to disclose the source of the funds.

Nigerian law prohibits attempts to hide drug proceeds as well as the transport of drug profits internationally. Money laundering is also illegal and carries prison terms of 15 to 25 years.

Nigerian heroin traffickers appear to be capitalizing on the vulnerability of South African borders to create a new drug pipeline for heroin coming out of Southwest Asia destined for the United States. Nigerian criminal groups with histories of drug running are immigrating into South Africa and using that country as a staging area for smuggling

heroin into the U.S. DEA believes that South Africa may also be targeted by drug lords from Brazil and Colombia as a potential market for cocaine and other drugs.

Nigerians are involved in smuggling cocaine into Europe and distributing it to middlemen who sell it in South Africa. According to INTERPOL, an increasing number of South Africans are being arrested throughout Europe and Africa for drug offenses. We should anticipate that South Africa will be used by money launderers, as well.

Middle East

There is minimal reporting regarding criminal groups involved in drug money laundering native to or based in the Middle East, in such countries as Syria, Jordan, Saudi Arabia, Qatar, Bahrain, Kuwait, Iran, Iraq, Cyprus, United Arab Emirates, Yemen, or Oman. However, countries such as Cyprus, Bahrain, and the United Arab Non-indigenous ethnic groups take advantage of offshore banking centers to launder drug proceeds.

Russia

Over the past several years there has been an increase in drug trafficking by organized crime elements in Russia. The country has emerged as a transit route for heroin from Southwest and Southeast Asia to Europe and the United States, as well as for cocaine from South America to Europe. There is an increased threat of international drug money laundering by criminals elements in Russia as well as by criminal elements among Russian emigres located in such areas as Europe and the United States.

The enormous amount of money associated with the drug trade has attracted Russian organized crime elements who now are involved in all aspects of the opium and hashish industries, including cultivation, production, distribution, and money laundering operations. Criminal groups in Russia are exploiting the open access to the West and the lack of

regulations in the banking, financial and commercial sectors of their country.

The lack of regulatory controls and legislation inhibits Russian Government efforts to target drug money laundering operations. Russian officials speculate that criminals have taken control of some banks and are laundering proceeds from a wide variety of criminal activities, including drugs. Some experts estimate that 25 percent of Moscow's commercial banks are controlled by Organized Crime and there is speculation that Colombian cocaine traffickers and Sicilian mafia may be using Russian banks to launder funds.

Conclusion

Mr. Chairman, each year criminal drug organizations accumulate war chests of billions of dollars from the sale of drugs in the United States. This money equates to power, and the ability to produce more illegal drugs, which are sold in our country—and countries around the world.

Over the years, one of the things we have learned is the power of financial investigations. Drugs are a cash business and drug traffickers must find ways to make their vast wealth appear legitimate—and money laundering is the only way they can do that. The drug trade is a vicious cycle, and by attacking the financial base of these organizations, we can have a direct impact on their ability to do business.

We've seen the potential of financial investigations in two recent global law enforcement operations to disrupt the financial operations of the Colombian cocaine cartels—in Operation Green Ice in 1992 and Operation Dinero in 1994.

In Operation Green Ice, law enforcement from Italy, Colombia, the United Kingdom, Canada, Spain, Costa Rica, the Cayman Islands, and the United States cooperated together to expose the financial infrastructure of the Cali mafia. During the first phase of Operation Green Ice, over \$50 million in cash and property were seized and almost 200 people were

arrested worldwide, including seven of Cali's top money managers. In addition, valuable information was obtained when we gained access to financial books and records, as well as computer hard drives and discs containing financial transactions and bank account information. During the second phase of Green Ice, nearly 14,000 pounds of cocaine, 16 pounds of heroin, almost \$16 million in cash were seized, and over 40 people were arrested.

During Operation Dinero—a two-and-a-half year undercover investigation involving DEA and the IRS, as well as law enforcement and police organizations in Italy, Spain, Canada, and the United Kingdom—we penetrated the drug money laundering networks and followed the money trails that led us to the top echelons of the Cali cocaine organizations.

Through this investigation we further established direct links among the criminal organizations of the Italian Mafia and the Colombian cocaine mafia. This was an historical operation also because it was the first time a law enforcement agency established a private bank—operated by undercover agents—as an investigative tool to gain insight into the seamy netherworld of drug money laundering.

The results of Operation Dinero made it an overwhelming success. Over \$52 million and 9 tons of cocaine were seized, and 88 people were arrested worldwide. This was cocaine that did not end up on the streets of our cities. This is money that will not be used to further the production and distribution of more illegal drugs. And, these are criminals who will not continue to pursue the deadly cycle of drug-related crime and violence.

But the major result of both Operations Green Ice and Dinero was the message it sent to the drug mafias—that the number of safe havens for their drug money is quickly dwindling. Law enforcement agencies will continue to use financial investigations like these two highly-successful operations against traffickers and money launderers.

As is the case with all crime, money is the motivating factor. For law enforcement to be effective, we must attack the money of these multi-billion drug enterprises. We must continue to work with—and

strengthen—our international partnerships, and maintain strong ties with our counterparts in the financial centers of the world. We must continue to urge all countries to ratify the U.N. Convention and to pass more effective money laundering and forfeiture laws. Above all, we must continue to identify the points where the money is most vulnerable and identify what we can do to separate traffickers from their ill-gotten gains.

Mr. Chairman and Members of the Committee, that concludes my remarks. I'll now be happy to answer any questions you may have.

STATEMENT OF ROBERT E. SIMS
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HEARING ON ORGANIZED CRIME AND BANKING
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 28, 1996

Thank you, Mr. Chairman. Good morning to you and to the members of the Committee. My name is Robert E. Sims. I am currently serving as Senior Adviser to Robert S. Gelbard, the Assistant Secretary for International Narcotics and Law Enforcement Affairs at the U.S. Department of State. It is a privilege to appear before this Committee today to discuss what in the Department's view is a critically important national security problem -- the impact of organized crime on banking and financial services.

Mr. Chairman, money laundering and financial crime have grown to become global phenomena. Around the world we see organized criminal groups taking advantage of new technologies, lower trade barriers, greater freedom of movement, and a global financial system to further their criminal activities -- activities that only a short time ago would have been addressed by domestic law enforcement activity alone. Increasingly, domestic criminals use the international financial system to conceal the proceeds of crimes committed in the U.S. Of course, Mr. Chairman, crimes such as narcotics trafficking and alien smuggling have always been transnational in nature. And the huge profits of the drug trade continue to flow through the global financial system. But increasingly we see non-drug crimes, including white collar financial crimes, making up a larger share of the illicit proceeds laundered around the world. Often drug and non-drug proceeds are commingled by launderers making it more difficult to trace proceeds to specific criminal activities.

Mr. Chairman, the U.S. Department of State is deeply concerned about the threat of transnational organized crime for two basic reasons. First, it is a direct threat to the physical safety and economic well-being of Americans at home and abroad. Money laundering is the lifeblood of narcotics trafficking and organized crime and fuels criminal

activity in the United States, including violence. Second, transnational organized crime threatens America's national security and foreign policy interests in a number of regions of the world, undermining legitimate economies and threatening emerging democracies.

President Clinton and Secretary Christopher have placed the battle against transnational organized crime at the forefront of the U.S. foreign policy agenda and have committed the diplomatic community to work closely with law enforcement, intelligence and other relevant agencies to find effective and innovative responses to this problem. I am a small example of that commitment myself, Mr. Chairman. I am not a career foreign service officer, but came to State after serving 5 ½ years as an Assistant U.S. Attorney in the District of Maryland; not only one of this country's finest U.S. Attorney's offices, but a district in which the serious impact of transnational crime can be seen firsthand. During my time in the office we saw an influx of organized crime groups -- the Cali Cartel, Nigerian heroin organizations and Asian gangs, among others -- move into Maryland, often with violent and tragic results.

Mr. Chairman, if a state like Maryland or the U.S. in general, with its strong, experienced law enforcement and judicial institutions, can feel the negative effects of transnational organized crime; countries without these advantages suffer damage that is often much more severe. The economic and political power of Russian organized crime groups, the Colombian cartels, Mexican drug traffickers, Nigerian organizations and Asian drug lords could not be ignored, even if they had no direct impact on United States law enforcement interests. These organizations can through corruption, intimidation or violence greatly inhibit legitimate business activity, erode public confidence, and undermine democratic institutions in the countries in which they operate. This in turn

undermines U.S. national security. We are deeply concerned, for example, about reports that Russian organized crime groups are gaining control of significant sectors of the country's economy, including actual control of certain financial institutions. Mr. Chairman, we must continue and indeed redouble our efforts to eliminate these criminal organizations and our battle against global money laundering and financial crime are an important part of this work.

The State Department can and must play an important role in our effort to combat global money laundering and the threat of transnational organized crime. There are three areas of the Department's responsibilities I would like to focus on today: 1) international training and technical assistance, 2) foreign policy and national security initiatives, and 3) overseas coordination.

TRAINING AND TECHNICAL ASSISTANCE

The United States is fortunate enough to have the best trained and most knowledgeable law enforcement officers in the world. However, in facing transnational crime this is only part of the battle. We must work with effective counterparts overseas in order to accomplish our goals. Unfortunately, our law enforcement officers are often called upon to work with law enforcement officials in other countries that do not benefit from the same level of training and have not developed the expertise we have. This is especially a problem in the areas of money laundering and financial crime which can involve sophisticated laundering techniques or complex frauds that require equally sophisticated investigative work. When you consider that U.S. law enforcement officers overseas generally operate subject to the laws and ground rules established by the host country, restrictions that generally limit their ability to investigate and prosecute criminal

activities overseas as they would in the United States, it becomes readily apparent why international law enforcement training is such an important part of our overall effort.

Mr. Chairman, we must work to develop effective working partners overseas in an era in which international cooperation against crime is vital. Any weak link in the money laundering chain, for example, limits the effectiveness of the rest of the chain. Strong and effective regulation and enforcement in the U.S., to take one example, have forced some money launderers to ship bulk cash out of the U.S. to countries in which it can be disposed of more easily, without fear of detection. These funds can then be repatriated to the U.S. using methods that are much more difficult for our law enforcement and regulatory officials to detect. Unless these other countries become full and effective partners with the U.S., our domestic efforts will continue to be undermined.

The Department is working to develop more effective partnerships with foreign countries in part by funding a range of law enforcement training programs through our foreign assistance accounts. In undertaking international training efforts, the Department has two basic goals in mind. The first is to build institutional expertise and capability in foreign countries to put these countries in a better position to work cooperatively with us. The second is to foster close working relationships between our law enforcement authorities and those in other countries. We do this recognizing that resources are limited, so we must work to reduce unnecessary overlap. This is especially important in the areas of money laundering and financial crime because investigative and regulatory authority is spread among a number of agencies in the U.S., as well as many foreign countries. It is also important, of course, that these programs be administered with our broader foreign policy interests in mind. To accomplish these objectives, the State Department is working

very closely with federal law enforcement agencies to establish priorities and implement effective and coordinated training programs.

A good example of this effort is our current training program in the former Soviet Union and Central Europe. The State Department chairs a working group on law enforcement training consisting of all of the relevant federal law enforcement and regulatory agencies. This group conducts needs assessments, analyzes U.S. priorities and develops training programs that serve both U.S. interests as well as those of the various countries in the region. Using Freedom Support Act (FSA) and Supporting Eastern European Democracy Act (SEED) funds, State is planning to fund a number of money laundering and financial crime training in Russia, Estonia, the Czech Republic, Poland and elsewhere this year.

Mr. Chairman, as you may know, the State Department also helped to establish an International Law Enforcement Academy in Budapest last year, working with the FBI and other federal law enforcement agencies. We will also be funding money laundering and financial crime training courses for the academy this year. ILEA is another good example of the State Department and federal law enforcement working together to improve international cooperation.

While the Department will likely not have the resources we had hoped this year, we nonetheless plan to work with federal law enforcement to expand our money laundering and financial crime efforts to key countries outside of the NIS and Central Europe. In doing so, we will use our successful work in the NIS and Central Europe as the model.

FOREIGN POLICY AND NATIONAL SECURITY INITIATIVES

Mr. Chairman, we are also using the full foreign policy and national security apparatus to advance our law enforcement and national security interests. We are raising the issue of money laundering and financial crime at the bilateral and multilateral level to help improve international cooperation in these areas. Indeed, improving law enforcement cooperation on a bilateral and multilateral basis is one of our primary foreign policy interests. One example of this effort is our ongoing discussion with the G-7 countries and the Russian government (i.e., the P-8). At last year's G-7 Summit in Halifax, the U.S. advocated strong positions on transnational crime, including the establishment of an experts group to examine international responses and make specific recommendations to improve law enforcement cooperation internationally. An interagency team, led by State and including most of the agencies you will hear from today, has participated in the resulting talks with their foreign counterparts over the course of the last year. And though the talks have at times been difficult, we are making real progress in a number of areas. We are considering a range of recommendations that should improve international cooperation against money laundering and financial crimes.

State has worked very closely, Mr. Chairman with Treasury, Justice and other agencies in a full range of international initiatives. For example, we worked closely with Treasury in the Summit of the Americas process and were pleased with the progress we made. We intend to continue our joint efforts to ensure that what the nations of this hemisphere agreed to on paper will become a reality on the ground. We are also continuing our efforts with Treasury to support the work of the Financial Action Task Force. Indeed, FATF, as the leading anti-money laundering organization in the world is a

very important source for our bilateral and multilateral efforts to control money laundering. It provides international standards against which even non-members can be measured. Treasury's efforts to ensure that the FATF recommendations fully reflect the best advice the international community can give on money laundering countermeasures is an important reform State will fully support. We are also pushing a reform agenda in the United Nations Crime Commission to help it become a more effective voice for reform and international cooperation in the money laundering and financial crime areas.

You have heard, Mr. Chairman, about the President's important money laundering initiative. We have been working closely with Treasury and other agencies to develop this initiative and we plan to work vigorously to implement it. I wanted also to mention another of the President's important and innovative initiatives in this area -- the use of the International Emergency Economic Powers Act against the Cali Cartel. IEEPA allowed the President to freeze assets of the designated Cartel leaders, their associates and front companies in the U.S., but more importantly, it prohibits U.S. persons from doing business with these individuals and entities. This greatly restricts the ability of these front companies to conduct business as usual in or with the United States. Surprisingly, published reports also suggest that Colombian businesses, including financial institutions, have been emboldened by the President's action and have been refusing to do business with these Cartel front companies as well. Mr. Chairman, the use of IEEPA and the President's money laundering initiative are the type of innovative responses to organized crime we need. Indeed, we are working on an interagency basis, as required by the President, to determine whether we can use IEEPA to target other criminal organizations.

OVERSEAS COORDINATION

Finally, Mr. Chairman, I would like to address the issue of overseas coordination especially State support for overseas law enforcement activity. Whether they seek to enforce U.S. law overseas as authorized by law or serve in a liaison capacity with counterpart agencies abroad, the placement of U.S. law enforcement personnel abroad is an important response to the growing threat of transnational organized crime. Indeed, Mr. Chairman, our missions overseas are the forward bases for protecting and advancing U.S. national interests, including our law enforcement interests.

Both the Secretary of State and the U.S. Chief of Mission have statutory responsibilities for coordinating the activities of U.S. government personnel abroad. As the President's personal representative in country, the role of the Chief of Mission is especially important because he or she is charged by the President and statutorily responsible for the direction, coordination and supervision of all USG personnel in country, except certain military personnel. The Chief of Mission must play an important role in our fight against transnational organized crime.

Mr. Chairman, my purpose for mentioning these responsibilities is that I fear the Department's ability to support these important law enforcement functions is jeopardized as mission resources are reduced. We currently have some 1600 law enforcement personnel overseas and virtually all of these agencies are seeking to expand their presence. DEA, FBI, Secret Service, INS, Customs, IRS, ATF, FAA, and a number of other agencies have important law enforcement functions to perform abroad. Unfortunately, Chiefs of Mission increasingly must consider cost and resource availability in making decisions to enhance our law enforcement presence overseas. Because the Department's

own resources are shrinking even as law enforcement agencies seek to expand their presence in U.S. missions, Chiefs of Mission must carefully consider such issues as space limitations, costs and manageability when assessing whether to approve new positions, even where they agree that enhanced numbers would otherwise be desirable. I therefore urge the members of the Committee, when looking at the issue of law enforcement activity overseas, not to forget the State Department's responsibilities and the resources it needs to support these activities. ,

CONCLUSION

As with other transnational crimes, Mr. Chairman, there is no simple solution to the threat of global money laundering and financial crime. I believe we have to look at each of the areas I have discussed here today -- international training, foreign policy initiatives and overseas law enforcement activity -- as part of a comprehensive response. The Department of State looks forward to working with the law enforcement and intelligence communities and with the Congress to combat global money laundering and financial crime.



DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE

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Mr. Rasor is the Deputy Assistant Director for Investigations at the U.S. Secret Service Headquarters in Washington, D.C., responsible for coordination and administration of Investigative Operations, both Foreign and Domestic. Mr. Rasor received a Bachelor of Arts Degree from Iowa Wesleyan College and a Juris Doctor Degree from Memphis State University. Further, Mr. Rasor most recently completed the Senior Executive Fellows Program at Harvard University and the Contemporary Executive Development Program at George Washington University.

Mr. Rasor's previous assignment was Special Agent in Charge of the Financial Crimes Division, where he was responsible for the world-wide oversight, direction and coordination of criminal investigations pertaining to: Financial Institution Fraud, Access Device/Credit Card/Telemarketing Fraud, Telecommunications Fraud, Computer Fraud, Electronic Funds Transfer, Nigerian/Asian Organized Crime, False Identification, Government Program Fraud and other related crimes.

Mr. Rasor has also served as Special Agent in Charge of the Special Investigations and Security Division at Secret Service Headquarters where he was responsible for internal security matters relating to physical and technical security. This Division was responsible for security surveys of the White House Complex, U.S. Mints, Ft. Knox, and other sensitive locations throughout the world. Mr. Rasor has had extensive experience as a Special Agent in St. Louis and New York City, having been in charge of the Fraud, Forgery, Special Investigations, Intelligence and Protection Squads and serving as Assistant to the Special Agent in Charge of the New York Field Office.

During Mr. Rasor's tenure he has traveled extensively overseas while assigned to the White House Presidential Protective Division, providing advance and on site protection for numerous Presidents and Vice Presidents of the United States and foreign heads of state visiting the United States.

Mr. Rasor serves on the Board of Advisors for the International Association of Credit Card Investigation, Board of Directors of the Economic Crimes Institute at Syracuse University, American Society for Industrial Security White Collar Crimes Committee, American Bankers Association Security Committee, the International Association Chiefs of Police Financial Crimes Committee and the National Performance Review Electronic Benefits Transfer Task Force. Mr. Rasor has received numerous awards from government, law enforcement agencies and industry for his leadership contributions.

In October 1994, Mr. Rasor received the Secretary's Annual Award for Outstanding Performance in the area of Financial Crimes from U.S. Treasury Secretary Lloyd Bensten. In October 1995, Mr. Rasor received the Vice President's award for excellence in Financial Crimes Management from Secretary of the Treasury Robert E. Rubin.

TESTIMONY OF ROBERT H. RASOR
DEPUTY ASSISTANT DIRECTOR
UNITED STATES SECRET SERVICE

COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 28, 1996

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS COMMITTEE ON "THE THREAT POSED BY ORGANIZED CRIMINAL GROUPS TO FINANCIAL SYSTEMS", COMMERCE SYSTEMS, AND COUNTLESS INDIVIDUAL VICTIMS, BOTH IN THE UNITED STATES AND ABROAD.

I AM REPRESENTING THE UNITED STATES SECRET SERVICE TODAY IN MY CAPACITY AS DEPUTY ASSISTANT DIRECTOR FOR THE OFFICE OF INVESTIGATIONS.

AS YOU KNOW, THE UNITED STATES SECRET SERVICE WAS ORIGINALLY ESTABLISHED IN 1865, SOLELY TO SUPPRESS COUNTERFEIT CURRENCY IN THE UNITED STATES. TODAY THE SECRET SERVICE HAS INVESTIGATIVE JURISDICTION FOR A HOST OF CORE FINANCIAL CRIMES COMMONLY USED BY ORGANIZED GROUPS TO ATTACK FINANCIAL SYSTEMS ON A NATIONAL AND INTERNATIONAL SCALE.

THE UNITED STATES SECRET SERVICE HAS SEEN THE EMERGENCE OF SEVERAL INTERNATIONAL ORGANIZED CRIMINAL GROUPS SYSTEMATICALLY ATTACKING THE FINANCIAL SYSTEMS THROUGH FINANCIAL INSTITUTION FRAUD, COUNTERFEITING OF U.S. CURRENCY, CREDIT CARD FRAUD,

ADVANCE FEE FRAUD, COMPUTER FRAUD, AND TELECOMMUNICATIONS FRAUD. ALL OF THOSE VIOLATIONS ARE INVESTIGATIVE PROGRAM AREAS WITHIN THE UNITED STATES SECRET SERVICE, IN WHICH WE HAVE ACCUMULATED SPECIFIC EXPERTISE AND ONGOING PRO-ACTIVE INITIATIVES.

I WOULD LIKE TO FOCUS OUR DISCUSSION TODAY ON (1) IDENTIFICATION OF THE GROUPS, (2) CURRENT TRENDS OF THE GROUPS (3) SECRET SERVICE RESPONSE AND (4) RECOMMENDATIONS.

GROUPS:

AT THE ONSET THE SECRET SERVICE DISTINGUISHES BETWEEN STRUCTURED, TRADITIONAL ORGANIZED CRIME SUCH AS LA COSTA NOSTRA (LCN), AND WHAT ARE NOW COMMONLY REFERRED TO AS ORGANIZED CRIMINAL GROUPS. THE GROUPS INCLUDE: NIGERIAN CELLS, ASIAN TRIADS, RUSSIAN CRIMINAL NETWORKS, MIDDLE-EASTERN ORGANIZED CRIME GROUPS (LEBANESE, SYRIAN, IRANIAN, ISRAELI ETC.) AND SOUTH AMERICAN CARTELS. OTHER DOMESTIC GROUPS HAVE BEEN ASSOCIATED ALONG PHILOSOPHICAL LINES, SUCH AS POSSE COMITATUS, AND THE ARYAN NATION AND/OR WHITE SUPREMACISTS. MANY OF THESE GROUPS DO NOT FOLLOW PRIOR PATTERNS ASSOCIATED WITH ORGANIZED CRIME IN RELATION TO STRUCTURE. HOWEVER, THESE GROUPS DO SUPPORT THEMSELVES INTERNALLY THROUGH ETHNIC ASSOCIATION WHILE EXTERNALLY CREATING ENCLAVES OR CELLS FOR CRIMINAL OPERATIONS ON A DOMESTIC AND INTERNATIONAL SCALE.

IT HAS BECOME APPARENT TO THE SECRET SERVICE THAT TRADITIONAL INVESTIGATIVE TECHNIQUES ARE DIFFICULT TO EMPLOY. THEREFORE, NEW

TECHNIQUES ARE NEEDED TO ADDRESS THE PROBLEM OF THE MANY AND DIVERSE ORGANIZED CRIMINAL ELEMENTS ATTACKING U.S. FINANCIAL SYSTEMS. THE GROUPS ARE INVOLVED IN: THE MANUFACTURE AND DISTRIBUTION OF COUNTERFEIT CREDIT CARDS AND FALSE IDENTIFICATION DOCUMENTS; DESK TOP PUBLICATION OF COUNTERFEIT U.S. GOVERNMENT, FOREIGN, AND COMMERCIAL OBLIGATIONS AND SECURITIES; INTRUSIONS INTO THE INTERNATIONAL COMPUTER NETWORKS (INTERNET); THE LAUNDERING OF ILLICIT PROCEEDS THROUGH INTERNATIONAL WIRE TRANSFERS; AND THE ALTERATION OF CELLULAR PHONE MICROCHIPS JUST TO NAME A FEW.

TRENDS:

ONE COMMONLY RECOGNIZED ASPECT OF THESE ORGANIZED CRIMINAL GROUPS IS THAT THEY HAVE BECOME "EXPERTS" IN THEIR CRIMINAL FIELD. IN SHORT, THEY DO THEIR HOMEWORK ON FINANCIAL SYSTEMS AND IDENTIFY WEAKNESSES IN SYSTEMS THAT ALLOW THEM FRAUDULENT ACCESS TO MILLIONS OF DOLLARS. THE ATTACKS AND CRIMINAL SUCCESSES OF THE ORGANIZED GROUPS ARE MORE OFTEN THAN NOT, A RESULT OF CAREFUL PLANNING, PRECISE EXECUTION OF THE SCHEME, AND ULTIMATELY TAKING ADVANTAGE OF FINANCIAL SYSTEMS ORIGINALLY DESIGNED TO BE CONSUMER OR CUSTOMER FRIENDLY.

WHILE THE SOPHISTICATION AND ORGANIZATIONAL LEVEL OF THESE GROUPS INCREASE IN ALL AREAS OF FINANCIAL CRIMES, ONE OF THE MOST DISTURBING ASPECTS THE SECRET SERVICE HAS OBSERVED IS THE PROLIFERATION OF THE SO CALLED "WHITE COLLAR" CRIMINAL GROUPS' INVOLVEMENT IN THE MORE VIOLENT TYPES OF CRIMINAL ACTIVITIES. THE SERVICE BELIEVES IT IS A COMMON MYTH THAT CREDIT CARD FRAUD, BANK

FRAUD, AND THE COUNTERFEITING OF U.S. CURRENCY ARE COMPLETELY "WHITE COLLAR" CRIMINAL OFFENSES WITH NO RELATIONSHIP TO THE VIOLENCE VIEWED ON NIGHTLY NEWS PROGRAMS.

MANY PEOPLE STILL BELIEVE THAT THE MAJORITY OF THESE "WHITE COLLAR" SCHEMES ARE BEING PERPETRATED BY INDIVIDUALS AS AN END IN THEMSELVES. IN FACT, THE SECRET SERVICE AND OTHER LAW ENFORCEMENT INVESTIGATORS ARE CONSTANTLY ENCOUNTERING ORGANIZED CRIMINAL GROUPS WHO ARE TARGETING U.S. AND OTHER NATIONS FINANCIAL SYSTEMS WITH A MULTITUDE OF FRAUDULENT SCHEMES DESIGNED TO SUPPORT VIOLENT CRIMINAL LIFESTYLES. THE SECRET SERVICE HAS COME TO RECOGNIZE THE CLEAR RELATIONSHIP BETWEEN "WHITE COLLAR" CRIME AND THE PERPETRATORS OF INHERENTLY VIOLENT ACTIVITIES SUCH AS MURDER, DRUG TRAFFICKING, EXTORTION, PURCHASE AND EXCHANGE OF FIREARMS AND EXPLOSIVES, MONEY LAUNDERING, ALIEN SMUGGLING, CAR THEFT AND PROSTITUTION.

FALSE IDENTIFICATION IS A KEY ELEMENT IN THE SUCCESS OF ORGANIZED CRIMINAL GROUPS IN ATTACKING FINANCIAL SYSTEMS ON A GLOBAL SCALE. THE USE OF FALSE IDENTIFICATION AS A VEHICLE TO COMMIT FINANCIAL CRIMES HAS BECOME A PRIORITY CONCERN TO THE SECRET SERVICE AND THE FINANCIAL COMMUNITY. IN 1994, THE SECRET SERVICE INVESTIGATED FINANCIAL CRIMES CASES TOTALING \$1.5 BILLION. A MAJORITY OF THESE CASES INVOLVED FALSE IDENTIFICATION AS A PREREQUISITE TO THE CRIME.

IN THE FINANCIAL CRIMES ARENA, THE NUMBER ONE CONCERN OF BANKS

TODAY IS THE USE OF COMPUTERS, DOCUMENT SCANNERS, LASER PRINTERS, AND DESKTOP PUBLISHING SOFTWARE PROGRAMS TO COUNTERFEIT FALSE IDENTIFICATION, CORPORATE CHECKS, LETTERS OF CREDIT , AND OTHER COMMERCIAL BANKING DOCUMENTS. ORGANIZED CRIMINAL GROUPS USE FALSE IDENTIFICATION TO OPEN BANK ACCOUNTS TO CONDUCT FRAUDULENT ACTIVITY, TO APPLY FOR GOVERNMENT BENEFITS, OR TO NEGOTIATE COUNTERFEIT OR STOLEN CHECKS.

ALTHOUGH COUNTERFEITED "BREEDER" DOCUMENTS, SUCH AS BIRTH CERTIFICATES AND SOCIAL SECURITY CARDS, ARE USED TO ESTABLISH IDENTITY IN THE COMMISSION OF FINANCIAL CRIMES, IT IS THE COUNTERFEIT DRIVERS LICENSE THAT IS MOST OFTEN USED. THAT IS DUE TO THE FACT THAT DURING THE COURSE OF BUSINESS THE DRIVERS LICENSE IS THE MOST POPULAR AND WIDELY ACCEPTED CREDENTIAL IN SUPPORT OF A FINANCIAL TRANSACTION.

SECRET SERVICE RESPONSE:

IN 1984, AFTER THE SECRET SERVICE RECEIVED ADDITIONAL JURISDICTIONAL RESPONSIBILITY FOR CREDIT CARD FRAUD AND FALSE IDENTIFICATION, WE BEGAN TO ENGAGE THE NIGERIAN CRIMINAL NETWORK ON A REGULAR BASIS. THESE ORGANIZED CRIMINAL GROUPS PROVED TO BE ADEPT AT DEVELOPING COMPLEX SCHEMES TO DEFRAUD FINANCIAL INSTITUTIONS AND THE GENERAL PUBLIC. THE U.S. SECRET SERVICE FIRST ENCOUNTERED MEMBERS OF THESE GROUPS IN THE COURSE OF ENFORCING OUR TRADITIONAL JURISDICTIONS OVER THE COUNTERFEITING OF U.S. CURRENCY AND THE FORGING OF GOVERNMENT SECURITIES. NIGERIAN INVOLVEMENT IN ALL TYPES OF FRAUD AND THEIR ABILITY TO

USE MULTIPLE IDENTITIES AND CREATE FALSE DOCUMENTATION HAS MADE THE WEST AFRICAN CRIMINAL ELEMENT A SIGNIFICANT FACTOR FOR LAW ENFORCEMENT AUTHORITIES. WEST AFRICAN ORGANIZED CRIME WAS RECOGNIZED TO BE A RAPIDLY GROWING PHENOMENA THROUGHOUT THE WORLD. IN 1986, THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS DETERMINED, AS A RESULT OF HEARINGS ON EMERGING ORGANIZED CRIMINAL GROUPS, THAT A FORMIDABLE CRIMINAL NETWORK WAS FORMING WITHIN THE LARGE COMMUNITY OF NIGERIAN NATIONALS LIVING IN THE UNITED STATES. IN FY 1992, THE TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE PROVIDED FUNDS TO THE SECRET SERVICE, WHICH WERE EARMARKED FOR A WEST AFRICAN TASK FORCE INITIATIVE. THE RESULTING TASK FORCES REMAIN IN EXISTENCE.

IN ADDITION TO THE TRADITIONAL FRAUD SCHEMES USED BY THE WEST AFRICAN CRIMINAL ELEMENT, THEY ARE NOW RECOGNIZED FOR THEIR ABILITIES TO TRANSPORT CURRENCY AND HEROIN IN AND OUT OF THE UNITED STATES. IT IS SUSPECTED THAT MUCH OF THE MONEY OBTAINED THROUGH THE FRAUDULENT ACTIVITY CONDUCTED BY THE WEST AFRICANS IS IN SUPPORT OF THEIR DRUG TRAFFICKING.

THE SECRET SERVICE HAS TAKEN A PROACTIVE APPROACH TO THE WEST AFRICAN ORGANIZED CRIME PROBLEM BY ESTABLISHING AND MAINTAINING TASK FORCES THROUGHOUT THE UNITED STATES WHOSE FOCUS INCLUDES THE INVESTIGATION OF NIGERIAN PERPETRATED FRAUD. THESE SECRET SERVICE LED TASK FORCES ARE LOCATED IN BOSTON, NEW YORK, NEWARK, BALTIMORE, WASHINGTON, D.C., ATLANTA, MIAMI, CHARLOTTE,

HOUSTON, DALLAS, AND CHICAGO. MEMBERS OF THESE TASK FORCES INCLUDE U.S. CUSTOMS, IMMIGRATION AND NATURALIZATION SERVICE, U.S. POSTAL INSPECTORS, AS WELL AS MEMBERS OF LOCAL, COUNTY AND STATE POLICE AGENCIES.

TO ASSIST THE TASK FORCES IN THEIR INVESTIGATIONS, THE SECRET SERVICE ACTIVELY PARTICIPATES IN THE COMBINED AGENCY BORDER INTELLIGENCE NETWORK (CABINET), THE FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN), AND THE MID-ATLANTIC, GREAT LAKES ORGANIZED CRIME ENFORCEMENT NETWORK (MAGLOCLN). THESE DATA BASES, AS WELL AS THE SECRET SERVICES' INVESTIGATIVE SUPPORT DIVISION, THE DRUG ENFORCEMENT AGENCY, AND THE U.S. CUSTOMS TECS SYSTEM PROVIDE AN EXCELLENT BASIS FOR OBTAINING INFORMATION AND ANALYSIS OF DATA TO HELP OUR STREET AGENTS TAKE A PROACTIVE APPROACH TO TARGETING WEST AFRICAN ORGANIZED CRIMINAL GROUPS.

CURRENTLY, THE MOST PROLIFIC FRAUD SCHEME BEING PERPETRATED BY NIGERIAN ORGANIZED CRIMINAL GROUPS IS WHAT IS KNOWN AS ADVANCE FEE FRAUD, OR "419" FRAUD. THE "419" REFERS TO A NIGERIAN FRAUD STATUTE. NIGERIANS, PURPORTING TO BE OFFICIALS OF THEIR GOVERNMENT, BANKING SYSTEM, OR OIL IMPORT/EXPORT COMPANIES HAVE MAILED OR FAXED LETTERS TO INDIVIDUALS AND BUSINESSES ALIKE IN THE UNITED STATES ENTICING CITIZENS TO PARTAKE OF MILLION DOLLAR WINDFALLS, IF THEY WOULD RESPOND WITH PERSONAL IDENTIFIERS SUCH AS SOCIAL SECURITY NUMBERS, BANK ACCOUNT NUMBERS, AND PHONE NUMBERS. THE INDIVIDUAL BECOMES A VICTIM WHEN THEY FALL FOR THE SCHEME AND WIRE TRANSFER FEES "UP FRONT" TO PAY FOR BRIBES,

TAXES, AND LEGAL FEES, WHICH THE NIGERIAN HAS SAID MUST BE PAID BEFORE THE DEAL CAN BE CONSUMMATED. THIS TYPE OF FRAUD HAS BECOME SO WIDESPREAD THROUGHOUT THE UNITED STATES AND INTERNATIONALLY, THAT THE SECRET SERVICE HAS INSTITUTED AN OPERATION THAT TRACKS THESE LETTERS AND VICTIMS. THERE ARE CURRENTLY OVER 20,000 ENTRIES IN THIS DATA BASE AND INDICATIONS ARE THAT AMERICAN CITIZENS HAVE LOSSES IN THE MILLIONS OF DOLLARS. AMERICANS HAVE GONE TO NIGERIA IN HOPES OF RECOVERING THEIR MONEY AND HAVE BEEN FOUND MURDERED AFTER BEING REPORTED MISSING.

AGENTS ASSIGNED TO OUR TASK FORCE IN NEWARK RECENTLY COMPLETED A JOINT INVESTIGATION WITH THE DRUG ENFORCEMENT ADMINISTRATION WHERE THEY PROVED THAT PROCEEDS FROM THIS TYPE OF FRAUD WERE BEING USED TO FUND A HEROIN DISTRIBUTION RING AND A STOLEN CAR OPERATION IN THE NEW JERSEY/NEW YORK METROPOLITAN AREA WITH TIES DIRECTLY INTO LAGOS, NIGERIA. LOSSES IN THIS CASE TOTALED \$5 MILLION DOLLARS. ANOTHER RECENT "419" CASE RESULTED IN THE ARREST OF ANOTHER NIGERIAN NATIONAL ACCUSED OF INVOLVEMENT IN HEROIN TRAFFICKING WITH THE ASSISTANCE OF FUNDS DERIVED FROM "419" FRAUD. THE 419 FRAUD ACTIVITY RESULTED IN A \$12 MILLION LOSS TO INTERNATIONAL VICTIMS.

MURDERED AMERICAN CITIZENS

AN AMERICAN CITIZEN WAS SHOT TO DEATH IN LAGOS LAST SUMMER IN RELATION TO "419" FRAUD. HIS PARTICULAR CASE CENTERED AROUND THE PURCHASE OF NIGERIAN CRUDE OIL FOR A DRASTICALLY REDUCED RATE. THE SUBJECT HAD \$92,000 IN NEGOTIABLE INSTRUMENTS IN A

SAFETY DEPOSIT BOX THAT WAS NOT COMPROMISED. THE SUBJECT DID NOT HAVE A VALID VISA WHICH INDICATES HE WAS SMUGGLED INTO LAGOS BY HIS NIGERIAN HOSTS. OTHER GOVERNMENTS HAVE REPORTED THEIR CITIZENS MURDERED OR MISSING IN PAST YEARS.

AMERICAN EMBASSY - LAGOS

A PILOT PROJECT INITIATED BY THIS SERVICE IN 1995, TO PERIODICALLY ASSIGN AGENT PERSONNEL TO THE AMERICAN EMBASSY IN LAGOS TO ASSESS THE MAGNITUDE OF THE "419" ISSUE RESULTED IN THE ASSISTED EXTRICATION OF SEVEN AMERICAN VICTIMS IN JUST ONE MONTH. SOME OF THE VICTIMS WERE 60 AND 70 YEARS OF AGE AND WOULD HAVE MOST PROBABLY FACED SOME FORM OF INTIMIDATION TO CONTINUE THEIR PARTICIPATION IN THIS SCAM. FIGURES PROVIDED BY THE AMERICAN EMBASSY INITIALLY INDICATED UP TO 40 AMERICAN CITIZENS PER MONTH COMING TO THE ATTENTION OF THE EMBASSY SEEKING RELIEF FROM 419 SCHEMES. SINCE THIS SERVICE'S AGGRESSIVE STANCE TOWARD THIS PROBLEM THAT FIGURE HAS BEEN REDUCED TO AN AVERAGE OF ONLY 4 PER MONTH.

INTERDICTION AND EDUCATION

THROUGH OUR CONTINUING EFFORTS TO BRING THE "419" SCHEMES TO THE ATTENTION OF THE GENERAL PUBLIC, FINANCIAL COMMUNITY, AND THE LAW ENFORCEMENT COMMUNITY WE HAVE BEEN SUCCESSFUL IN INTERDICTING APPROXIMATELY 400 INDIVIDUALS FROM BEING VICTIMIZED BY "419" SCHEMES.

OUR AGENTS HAVE LOCATED VICTIMS IN FOREIGN VENUES AND HAVE ASSISTED IN THEIR REMOVAL FROM A POTENTIALLY DANGEROUS ENVIRONMENT, AND THEIR RELOCATION BACK TO THE UNITED STATES. WE HAVE EVEN GONE TO AIRPORTS AND STOPPED VICTIMS WITH THOUSANDS OF DOLLARS IN THEIR POSSESSION FROM EMBARKING ON FLIGHTS THAT WOULD EVENTUALLY PLACE THEM IN HARMS WAY. WE CONTINUE TO WORK CLOSELY WITH THE U.S. STATE DEPARTMENT, THE AMERICAN EMBASSY IN NIGERIA, INTERPOL, SCOTLAND YARD AND LAW ENFORCEMENT OFFICIALS THROUGHOUT THE WORLD IN AN ATTEMPT TO END THESE FRAUDULENT PRACTICES.

ASIAN ORGANIZED CRIMINAL GROUPS CONTINUE TO BE A SIGNIFICANT PROBLEM IN THE UNITED STATES. THE U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS HELD HEARINGS LAST YEAR ON THE PROBLEMS ASSOCIATED WITH VARIOUS ASIAN TRIADS, SUCH AS THE BIG CIRCLE GANG, 14K, AND SUN YEE ON. THE COMMITTEE IDENTIFIED HEROIN TRAFFICKING, MONEY LAUNDERING, AND CREDIT CARD FRAUD AS ILLEGAL ACTIVITIES IN WHICH THE TRIADS PARTICIPATED. INVESTIGATIONS INVOLVING ASIAN GANGS CONTINUE TO GROW AT A RAPID PACE WITH THE MAJORITY OF THE INVESTIGATIONS CENTERED ON THE WEST COAST AND NEW YORK CITY. THE SECRET SERVICE HAS WORKED CLOSELY WITH THE ROYAL HONG KONG POLICE AND OTHER INTERNATIONAL POLICE AGENCIES IN ATTEMPTING TO STEM ASIAN ORGANIZED CRIMINAL ACTIVITY AS IT RELATES TO TREASURY VIOLATIONS.

RECENTLY, THIS COOPERATIVE EFFORT LED TO THE ARREST OF TAM WEI-KEUNG IN THE UNITED STATES (OPERATION PLASTIC DRAGON). KEUNG

WAS THE LEADER OF THE 14K ASIAN TRIAD AND WAS INVOLVED IN INTERNATIONAL CREDIT CARD FRAUD. LOSSES ATTRIBUTED TO TAM AND HIS TRIAD HAVE EXCEEDED \$65 MILLION. THE SECRET SERVICE HAS WORKED EXTENSIVELY WITH THE ROYAL CANADIAN MOUNTED POLICE TARGETING ASIAN ORGANIZED CRIME TRIADS SUCH AS THE "BIG CIRCLE BOYS", "THE FLYING DRAGONS", AND THE LOTUS CHINESE GROUP. THESE TRIADS HAVE BEEN EXTREMELY ACTIVE IN COUNTERFEITING U.S. CURRENCY, FINANCIAL INSTITUTION FRAUD, CREDIT CARD FRAUD, AS WELL AS NARCOTICS TRAFFICKING, GUN RUNNING, AND OTHER VIOLATIONS.

CURRENTLY, OUR SANTA ANA, CALIFORNIA OFFICE CONTINUES TO INVESTIGATE AN ORGANIZED GROUP OF VIETNAMESE NATIONALS (OPERATION PAPER DRAGON) WHO ARE RESPONSIBLE FOR COUNTERFEITING CORPORATE CHECKS IN WHICH FINANCIAL INSTITUTIONS HAVE SUFFERED IN EXCESS OF \$20 MILLION IN LOSSES. OVER 100 ARRESTS HAVE BEEN MADE BY THE SECRET SERVICE IN CONNECTION WITH THIS INVESTIGATION. IN ANOTHER CASE "OPERATION REPAYMENT" ANOTHER ORGANIZED GROUP OF VIETNAMESE NATIONAL WERE ARRESTED IN A CASE INVOLVING \$40 MILLION IN LOSSES TO THE SYSTEM. FINANCIAL INSTITUTIONS INVOLVED BELIEVE THAT THE LOSSES WILL SOAR TO 100 MILLION DOLLARS AS A RESULT OF THIS SCAM.

THE SECRET SERVICE HAS A LONG HISTORY OF COMBATING DOMESTIC CRIMINAL ACTIVITY BY INDIVIDUALS OF RUSSIAN DESCENT. GOING BACK 15 YEARS, AGENTS IN THE NEW YORK FIELD OFFICE WERE INVESTIGATING SMALL RUSSIAN GROUPS COUNTERFEITING U.S. CURRENCY. THESE GROUPS WERE CENTERED IN THE BRIGHTON BEACH AREA OF BROOKLYN, NY, BUT WERE LINKED TO OTHER RUSSIANS IN AREAS SUCH AS PHILADELPHIA,

PA. IN SOME OF THESE CASES, THE IMPORTATION AND DISTRIBUTION OF ILLEGAL NARCOTICS WENT HAND IN HAND WITH THE PRODUCTION AND DISTRIBUTION OF COUNTERFEIT CURRENCY.

ALTHOUGH WE CONTINUE TO OBSERVE RUSSIAN CRIMINAL GROUPS INVOLVED WITH COUNTERFEIT CURRENCY, WE HAVE ALSO ENCOUNTERED RUSSIAN GROUPS PARTICIPATING IN CREDIT CARD FRAUD, BANK FRAUD, TELECOMMUNICATION FRAUD, INSURANCE FRAUD, AND MONEY LAUNDERING. WE HAVE OBSERVED THESE GROUPS ROUTINELY UTILIZING FALSE IDENTIFICATION DOCUMENTS TO COMMIT THEIR FRAUDULENT ACTIVITIES AS WELL AS UTILIZING THESE DOCUMENTS TO ASSUME NEW IDENTITIES AND MOVE MORE FREELY BETWEEN THE U.S. AND OTHER COUNTRIES.

IN THE TELECOMMUNICATIONS FRAUD ARENA, THE SECRET SERVICE HAS SEEN AN INCREASE OF INVOLVEMENT BY RUSSIAN ORGANIZED CRIME MEMBERS. IN THE PAST TWO YEARS WE HAVE INVESTIGATED SEVERAL TELECOMMUNICATIONS FRAUD CASES INVOLVING "CLONED" CELLULAR TELEPHONE/CALL SELL OPERATIONS IN LAS VEGAS, NEW ORLEANS, AND CHICAGO. UTILIZING CLONED TELEPHONES, THE CHARGES ARE FRAUDULENTLY BILLED TO THE TRUE CELLULAR TELEPHONE NUMBER HOLDER. CALLS ARE BEING PLACED FROM THE U.S. TO LOCATIONS IN ARMENIA, RUSSIA, AND SOME OF THE NEWLY INDEPENDENT STATES. LOSSES DUE TO CLONED CELLULAR TELEPHONES ARE REPORTED AT \$1 MILLION DOLLARS A DAY COLLECTIVELY.

IF LEFT UNCHECKED, THE RUSSIAN ORGANIZED CRIME GROUPS HAVE THE POTENTIAL TO INFLICT SIGNIFICANT FINANCIAL DAMAGE TO U.S. INTERESTS. TESTIMONY BY COOPERATING DEFENDANTS INDICATES THAT THE

RUSSIANS ARE MOVING AWAY FROM TRADITIONAL ACCESS DEVICE FRAUD AND EXPANDING THEIR OPERATIONS IN THE AREA OF FINANCIAL INSTITUTION FRAUD. CURRENTLY, WE HAVE ACTIVE INVESTIGATIONS OF RUSSIAN ORGANIZED CRIME IN NEW YORK CITY, MIAMI, PHILADELPHIA, PITTSBURGH, AND DENVER.

SECRET SERVICE RECOMMENDATIONS:

THE U.S. SECRET SERVICE, AS A MAJOR INVESTIGATIVE COMPONENT OF THE DEPARTMENT OF THE TREASURY, BELIEVES THE SOLUTION TO THE PROBLEM IS FOUND IN ONE OF THE CORE RESPONSIBILITIES OF THE DEPARTMENT AND THE AGENCY: PROTECTION OF THE U.S. ECONOMIC AND FINANCIAL SYSTEMS.

FURTHER, THE SECRET SERVICE BELIEVES THAT OUR LAW ENFORCEMENT ROLE MUST, AND DOES, TRANSCEND NORMAL REACTIVE ARREST AND PROSECUTIVE RESPONSES. THE PROACTIVE APPROACH MUST BE UTILIZED TO ANALYZE DEFECTS AND PREVENT ATTACKS ON FINANCIAL SYSTEMS. THIS PHILOSOPHY, INSTITUTED BY THE SECRET SERVICE IN 1990, HAS BEEN ADOPTED BY THE TREASURY DEPARTMENT AND IS CURRENTLY BEING FURTHER DEVELOPED IN OTHER TREASURY OFFICES AND BUREAUS. THE UNITED STATES SECRET SERVICE HAS TESTIFIED BEFORE A NUMBER OF COMMITTEES DURING THE LAST TWO YEARS ON THE ISSUES OF FINANCIAL AND ELECTRONIC CRIMES, COUNTERFEITING OF CHECKS AND CURRENCY, FALSE IDENTIFICATION, DESKTOP PUBLISHING, AND ORGANIZED CRIMINAL ACTIVITY IN THESE AREAS. OUR MESSAGE REMAINS THE SAME. WE MUST COLLECTIVELY LOOK AT THE SYSTEMS THAT ARE BEING ATTACKED

AND "FIX THE SYSTEMS" IN ORDER TO DIMINISH THE CRIMINAL ACTIVITY. THE SECRET SERVICE EMPLOYS A PROCESS OF LINKING RISK ANALYSIS TO OUR CRIMINAL INVESTIGATIONS TO IDENTIFY HOW THE FRAUDS ARE COMMITTED AND, THEN THROUGH EITHER REGULATORY REVIEW OR INDUSTRY PARTNERSHIPS, SET ABOUT TO CORRECT THE SYSTEM WEAKNESSES. AS PREVIOUSLY STATED IT IS EVIDENT FROM OUR INVESTIGATIONS THAT CRIMINAL GROUPS STUDY THE FINANCIAL SYSTEMS AND DEVELOP SCHEMES BASED ON KNOWLEDGE OF THE SYSTEMS AND WEAKNESS IN THESE SYSTEMS. IN SHORT THE ORGANIZED GROUPS BECOME "EXPERTS" AND THEIR GOAL IS RAPID WIDESPREAD FRAUD, THAT NETS PROFITS IN THE MILLIONS. THEY ARE INDEED A FORMIDABLE ADVERSARY.

THE DEPARTMENT OF THE TREASURY PROMOTES A CONCEPT OF "KNOW YOUR CUSTOMER" WHICH WHEN APPLIED CORRECTLY, IS A TREMENDOUS DETERRENT TO FINANCIAL FRAUD SCHEMES. THE UNITED STATES SECRET SERVICE THROUGH PREVIOUS TESTIMONY HAS STATED THAT BIOMETRIC IDENTIFICATION WOULD BE AN EVEN GREATER DETERRENT, AS MOST FINANCIAL CRIMES AND LOSSES OCCUR BY CRIMINALS ASSUMING FALSE IDENTITIES AND/OR PENETRATING ACCOUNTS WITH STOLEN ACCESS CODES. I AM PLEASED TO REPORT THAT THE FINANCIAL COMMUNITY AND FEDERAL, STATE AND LOCAL GOVERNMENTS ARE BEGINNING TO ADOPT BIOMETRIC IDENTIFICATION AS A PROACTIVE SOLUTION TO FINANCIAL CRIMES AND LOSSES.

THE UNITED STATES SECRET SERVICE TODAY REMAINS ACTIVELY ENGAGED AND COMMITTED TO NOT ONLY AGGRESSIVELY REACTING TO THE PROBLEM BY INVESTIGATION AND ARREST OF VIOLATORS, BUT ALSO TO A

FULL PARTNERSHIP WITH CONGRESS, INDUSTRY, OTHER FEDERAL, STATE AND INTERNATIONAL AGENCIES TO HELP SOLVE THE PROBLEM. TO THAT END, THE UNITED STATES SECRET SERVICE SUPPORTS AND APPRECIATES THE EFFORTS OF THE CHAIRMAN IN CALLING THIS HEARING. WE LOOK FORWARD TO WORKING WITH YOU, AND OTHER MEMBERS, AS LEGISLATIVE INITIATIVES DESIGNED TO ADDRESS THE VOIDS ARE EXPLORED. LEGISLATION INTENDED TO ASSIST LAW ENFORCEMENT IN COMBATING FINANCIAL CRIMES AND COUNTERFEITING WILL CERTAINLY BE BENEFICIAL IN THE OVERALL PARTNERSHIP EFFORT.

THIS CONCLUDES MY REMARKS, MR. CHAIRMAN. I WOULD BE HAPPY TO ANSWER ANY OF YOUR QUESTIONS, OR THOSE OF THE COMMITTEE.

OPENING STATEMENT

OF

CHARLES L. OWENS
SECTION CHIEF, CRIMINAL INVESTIGATIVE DIVISION
FEDERAL BUREAU OF INVESTIGATION

BEFORE THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

FEBRUARY 28, 1996

HOUSE BANKING AND FINANCIAL SERVICES COMMITTEE
HEARING ON EMERGING INTERNATIONAL FINANCIAL CRIMES

Good Morning. I am pleased to appear today on behalf of the FBI and provide you with some information related to emerging financial crimes matters.

The FBI White-Collar Crime Program is the largest and most diverse of all FBI Criminal programs. During Fiscal Year (FY) 1995 (10/1/94-9/30/95), the White-Collar Crime Program utilized approximately 25.59% of FBI agent work years and achieved 18.2 % of the FBI's total convictions and pretrial diversions. Approximately 2,600 agents were dedicated to this program. The White-Collar Crime Program was identified as the number one or number two priority in 53 of the 56 FBI field offices (95%).

In terms of workload, the White-Collar Crime Program encompasses approximately 22,645 pending matters. Of this total, Financial Institution Fraud constitutes 8,613 cases and other national fraudulent schemes total 4,090.

By any measure, this is a healthy, robust program which has experienced explosive growth and globalization in recent years. The White-Collar Crime Program maintains an inventory of some of the most complex cases in the FBI. Resources have increased more than 65% since 1985. White-collar crime is of significant interest to the public as well as the Congress. Our investigative arsenal includes an abundance of investigative techniques, including undercover operations and court-ordered electronic surveillance.

Prior to the 1980s, financial institution fraud investigations were primarily routine in nature. Bank frauds generally involved only a few transactions, were perpetrated by a single individual or small group, and generated losses that averaged less than \$100,000 to the victim

institution.

Following deregulation of the savings and loan industry in 1982, and the initiation of more speculative, risk-enhanced ventures by those in charge of these institutions, a new wave of fraud investigations emerged. During the late 1980s and early 1990s, FBI efforts were focused on large-scale frauds perpetrated by institution insiders and those held in trust within the banking industry. Some impressive results were achieved from these large-scale investigations, some of which were task force-oriented investigations, and the banking industry as a whole has stabilized and continues its efforts to minimize insider abuse. FBI bank failure investigations peaked in July 1992, with 758 active cases. As of the conclusion of Fiscal Year 1995, there were 395 pending failure cases, mostly in the New England and southern California regions. With a reduction in the number of manpower-intensive failure investigations, the FBI has been able to refocus its efforts in other high priority Financial Institution Fraud and financial crimes matters.

Even though the number of failure investigations has declined, the number of major financial institution fraud investigations, defined as those involving sustained losses over \$100,000, has continued to increase, from 3,026 during December 1991 to 4,018 as of September 1995. Outsider fraud now accounts for more than 60% of the criminal referrals provided to the FBI by the financial institutions. Fraud as perpetrated by outsiders, especially organized international groups, has risen dramatically since 1987.

During the past several years, a number of new and complex financial crimes have developed, including negotiable instrument fraud, credit card fraud and money laundering. These schemes often involve sophisticated counterfeiting techniques. Additionally, computer crime is a growing problem which will continue to challenge law enforcement well into the next century.

These crimes involve both organized ethnic groups operating in this country and outsiders conducting illegal transactions between U.S. and foreign institutions.

In their 1994 Check Fraud Survey, the American Bankers Association (ABA) indicates that the occurrences of check fraud within financial institutions have increased by 136% from 1991 to 1993. During this same period, dollar losses increased 44% from \$568 million to \$850 million. The country's major financial institutions believe that 50% of all check fraud, to which they fell victim, can be attributed to professional and organized group efforts.

In addition to fraud committed against financial institutions, for the past two years the Forensic and Investigative Services division of KPMG has compiled an annual fraud survey of the 2,000 largest U.S. corporations. These companies reported check fraud and credit card fraud as their most problematic losses during 1994. The responding companies suffered an average annual check fraud loss of \$360,000, an increase of 38% from 1993. Alarmingly, 67% of corporate executives believe these losses will continue to mount over the next several years. In sum, total check fraud losses incurred by financial institutions, businesses and individuals during 1993 amounted to more than \$5 billion, a \$1 billion increase from 1992. More than 1.2 million worthless checks are accepted for payment every day.

The technological improvements that have fueled the growth in check fraud schemes have made it difficult for law enforcement to combat the problem. Forbes magazine reported on the trend in 1989, stating "...the desktop computer did not create the crime of forgery. All it did was make the tools user-friendly." With the prevalence of laser printers and advanced duplication systems, the production of quality counterfeit checks has become commonplace.

Presently, a sizable portion of this annual check fraud activity is being perpetrated by

organized ethnic and international groups located regionally throughout the country. There are 80 billion checks written worldwide annually, 60 billion of which are written in the United States. Numerous criminal ethnic groups which have immigrated to this country have taken the time to study and analyze American banking, noting the deficiencies in the banking system relative to negotiable instruments, and the inherent fraudulent opportunities underlying this system, including check theft, manipulation and counterfeiting.

Regardless of ethnic origin, groups involved in check fraud maintain certain universal characteristics. Unlike other organized criminal organizations (La Cosa Nostra, Bloods, Crips, etc.), these groups are usually loosely organized with members networking amongst several organizations. Such groups usually maintain close ties with their overseas counterparts and often conduct their fraudulent activities over several continents.

These organizations tend to be distrustful of anyone outside their own ethnic heritage, making it difficult for law enforcement to proactively investigate the extent of their activities. Check passers are frequently arrested throughout the country but possess little information concerning upper echelon members.

The principal ethnic enterprises involved in illegal check fraud schemes include Nigerian, Asian (particularly Vietnamese), Russian, Armenian and Mexican groups. The majority of the Vietnamese, Armenian and Mexican organizations are based in California, especially in the Orange County, San Francisco and Sacramento areas, but have networked their operations throughout the country with additional concentrations in Chicago, Houston, Dallas and Washington, D.C. The Nigerian and Russian groups, with bases in the north and eastern areas of the country, are more nomadic in nature, tending to roam throughout the U.S., passing stolen or

counterfeit instruments, before moving on to new locations.

Nigerian groups often solicit legitimate identification and account information in furtherance of their fraud schemes and have recently been noted to be working interactively with Vietnamese organizations in the Chicago and Houston regions. In the northeast, Nigerian rings have been opening investment accounts within various brokerage houses, depositing large sums of money with stolen and counterfeit corporate checks.

Most west coast Asian gangs began to organize their bank fraud activities during the 1980s and have continued to expand and develop these sometimes sophisticated operations. Many such groups originated in Taiwan, Hong Kong and Vietnam and include the Viet Ching, the Big Circle Boys, the V-Boyz, Wo Hop To, Wah Ching and Red Door. Additionally, these groups are often involved in the counterfeiting of credit cards, other marketable items, and computer software. Microsoft Corporation alone, estimates their 1994 losses from counterfeit software at \$179 million. Current investigations indicate that some Asian groups have been dealing with Russian counterparts.

Although it is impossible to summarize all of the check fraud schemes currently operating, the following examples represent common frauds being tracked by bank security officials and law enforcement authorities throughout the nation:

1) Large Scale Counterfeiting - The most notorious groups engaged in large scale counterfeiting operations, and being investigated by the FBI, are the Vietnamese triads originating out of Orange County, California. Members are routinely placed within local financial institutions in order to collect master original bank checks, money orders and corporate/payroll checks for counterfeiting purposes. Once the counterfeiting process is completed, the instruments are

subsequently negotiated in a variety of ways. A portion of the counterfeits is directly negotiated through financial institutions, by check passers. The fraudulent checks are deposited, often into new accounts, and the funds are withdrawn before the clearing process has concluded and the fraud is discovered.

2) Identity Assumption - This scheme has been seen in various metropolitan areas and often involves Nigerian and Vietnamese criminal organizations. Group members often obtain employment or develop sources in local banks and credit agencies in order to acquire otherwise confidential information on bona fide bank customers. The groups then create counterfeit identification, to include drivers licenses, social security cards and credit cards, to effect an assumption of the innocent person's identity.

This identity is used to open new bank accounts, used for the deposit and subsequent withdrawal of funds from fraudulent checking activity, and for securing personal loans and lines of credit. Once the identity has been assumed and bank accounts have been established, the financial institutions are open to be defrauded in a variety of ways. Prior to depositing fraudulent checks and withdrawing the proceeds, the "customer" is likely to obtain a Visa and/or MasterCard account with a substantial credit line. Funds are withdrawn against the credit line and distributed within the criminal organization, along with any bogus loan proceeds that have been procured. After withdrawing monies pursuant to the deposit of fraudulent checks, the "customer" leaves town with the bank sustaining a substantial loss. The innocent person whose identity was assumed also becomes a victim, finding that their credit history has been ruined, inhibiting their future financial activities.

3) Payroll Check Fraud - A variation of the above scheme involves placing group

members within payroll check processing companies engaged to compile and distribute payroll checks on behalf of their corporate clients. These employees will print duplicate payroll checks for various client employees, which are subsequently stolen from the premises and duplicated for negotiation. Concurrently, the group now has full background identifying data for actual client employees which can be used in future schemes.

The following international fraud scheme was recently investigated by the FBI:

During early 1995, the Los Angeles Police Department notified the FBI concerning information that subject Cuong Thoai Diep was attempting to recruit a U.S. banker to steal more than \$10,000,000 in bank and cashier's checks as part of a loan fraud scheme based in Hong Kong and Beijing, China. An FBI undercover Agent posed as a local banker who agreed to provide Diep and his associate Tony Wing Yu with \$13,500,000 in counterfeit and stolen cashier's checks. These checks were to then be used as collateral in fraudulently obtaining a series of Chinese loans totaling more than \$50,000,000. The scheme also involved the corruption of a People's Republic of China bank official and several Asian organized crime subjects.

During February 1995, subjects Diep and Yu, who had been successfully lured from Hong Kong, were arrested on various bank fraud charges; Diep was eventually sentenced to 15 months in prison, while Yu was sentenced to 24 months.

Of the approximate 193 million people in the United States over seventeen years of age, 124 million owned at least one credit card in 1994. Worldwide bank card (Visa and MasterCard) fraud losses have increased from \$110 million in 1980 to an estimated \$1.63 billion in 1995. The United States has suffered the worst of these losses at approximately \$875 million for 1995, not surprising since 71% of all worldwide revolving credit cards in circulation were issued in this

country.

Law enforcement authorities are continually confronted with new and complex schemes involving credit card frauds committed against financial institutions and bank card companies. Perpetrators run the gamut from individuals with easy access to credit card information, such as credit agency officials, airline baggage handlers and Postal Service employees, to organized groups involved in large-scale card theft, manipulation and counterfeiting activities.

Visa and MasterCard account for approximately 65% of all outstanding revolving credit, and most substantive fraud cases involve schemes centered on one or both of these bank cards. While losses to Visa, MasterCard and the financial institutions issuing these cards continue to mount, several basic schemes have been identified as most prevalent throughout the nation. Additionally, law enforcement authorities are continually encountering various ethnic groups and organizations involved in multi-level bank card fraud operations. It should be noted that nearly one fifth of all U.S. credit card losses occur in California, close to the combined total for the other five identified problem areas worldwide: Florida, Texas, New York, Asia and Great Britain.

Following are three of the most common credit card schemes currently operating:

1) Mail/Credit Bureau Theft - One of the simplest ways to obtain account information or actual bank cards is through Postal theft. Numerous Nigerian fraud rings operate sophisticated theft operations throughout the eastern and southern regions of the U.S. Having obtained a legitimate bank card or account information, the group will then create a portfolio of fictitious identification, including drivers licenses, social security cards and other materials, to support the purchasing power behind those cards. At the direction of group leaders, "runners" will be employed to purchase merchandise from a variety of sources, until the cards are reported as stolen

or confiscated. These organizations also take advantage of contacts within the various credit bureaus to obtain legitimate bank card account information for counterfeiting or telephone order purchasing. The groups commonly mail stolen cards and information, via an overnight courier, to other factions located throughout the country.

2) Advance Payment Schemes - Federal consumer credit regulations require credit card issuers to credit a customer's account as soon as payment is received; i.e., before the payment instrument has cleared the bank. This scheme is simple. Using a counterfeit or stolen credit card, the individual or group will either make an advance payment on the card or overpay an existing balance using a bogus check. Since the account is credited upon receipt of payment, cash advances can immediately be drawn against the bank card before the payment check has cleared. Through hundreds of like payments, an organization can realize profits in excess of \$1 million within a relatively short period of time.

3) Counterfeiting - The fastest growing type of bank card fraud, in both frequency and severity, involves the illegal counterfeiting of Visa and MasterCard. New technology has aided criminals in producing exact replicas of existing cards and in creating fictitious cards from scratch. Illegal counterfeiting is primarily responsible for the overall surge in credit card fraud, particularly in California, a hotbed for Asian gang counterfeiting activity, where occurrences of credit card fraud increased by 370% from 1991 to 1993, from \$60 million to \$282 million, according to an Intelligence Operations Bulletin prepared by the Office of the Attorney General, California Department of Justice, Vol. 47, dated December 1994.

The industry foresees a time when members will be able to use a single card to accommodate a variety of transactions, including international automatic teller machine (ATM)

withdrawals, credit purchases, direct bill payments and purchases against predetermined stored value levels.

Several companies are currently working with Visa and MasterCard on these services, and prototypes of stored value and debit/credit combination cards are being test-marketed and issued throughout the world. The goal is to create a single card through which customers can administer all their financial needs, from paying bills via electronic transfer of funds to buying and trading securities over the New York Stock Exchange.

In addition to these services, financial institutions are beginning to implement Automatic Loan Machines (ALMs) which can be accessed by customers or potential customers using their bank cards. These machines offer individuals the opportunity to obtain various types of financial loans without having to personally meet with a bank representative. Although the system is still in its infancy, bank officials envision ALMs becoming as commonplace as current ATMs in this country.

Several cases have been investigated by various FBI field offices in which counterfeit negotiable instruments such as prime bank notes, certified money orders and bonds purportedly issued by foreign governments have been utilized. Often, these counterfeit instruments are presented for sale by con artists who state that the instruments can be used to collateralize loans or perpetrate other frauds. Although the dollar denominations of these instruments can be large, they are typically sold for a percentage of their stated value. The attempted use of counterfeit negotiable instruments in various fraud schemes has risen dramatically. However, many of these attempts result in actual losses that do not meet federal prosecutive guidelines.

White-collar crimes such as those mentioned previously, produce billions of illicit dollars

annually. To enjoy the fruits of these criminal activities without raising suspicions, the ill-gotten gains must be laundered to make it appear that they were obtained legitimately. The general nature of white-collar crime is the production and concealment of assets for financial gain; accordingly, money laundering is an inherent part of white-collar crime.

The money laundering statutes, Title 18, USC, Sections 1956 and 1957, were designed to address monetary transfers and monetary transactions undertaken using proceeds and/or property acquired through various unlawful activities. The money laundering statutes have numerous "Specified Unlawful Activities" or predicate offenses which serve as a jurisdictional basis for pursuing money laundering investigations. The vast majority of these SUAs fall within the investigative purview of the FBI.

The FBI investigates money laundering activities in connection with more than 50% of its substantive offense investigations. For fiscal year 1995, investigations leading to the filing of money laundering charges were as follows: White-collar crime cases (57%), drugs/organized crime cases (33%) and violent crimes cases (10%). The money laundering statutes have been powerful weapons in addressing white-collar crime; particularly, as forfeiture provisions have allowed for the dismantling of criminal enterprises.

The FBI has identified money laundering havens around the world and developed initiatives to address these criminal activities. For example, the FBI has teamed with United Kingdom authorities and formed the White-Collar Crime Investigative Team. WCCIT investigates fraud and non-narcotics money laundering activities that impact upon the U.S., the United Kingdom and its Caribbean dependent territories. Highly experienced FBI Agents and British police officers who have investigative jurisdiction on the British dependent territories

jointly investigate complex and multinational fraud and white collar crime money laundering cases. This structure provides the necessary investigative prowess and access to pertinent evidence. The FBI has been approached by law enforcement representatives from other countries to discuss expanding this team to other parts of the Caribbean.

The FBI investigates computer crimes under the Computer Fraud and Abuse Act of 1986 (Section 1030). The focus of the FBI's Computer Crimes Initiative is on intrusions into major computer networks, with emphasis on intrusions into the networks constituting the National Information Infrastructure.

In February 1992, the FBI established a National Computer Crimes Squad to address substantive investigations of significant computer crimes on a nationwide basis, particularly those involving intrusions into major computer networks, such as the Public Switch Network (PSN). The PSN is an integrated computer-based system managed by the long-distance carriers and the regional Bell operating companies. Currently, within the United States, almost all communications and transactions generated by the public and private sector, including the U.S. military, are, or will become, dependent upon the telecommunications services provided by the PSN. Other networks, such as the Internet, also depend in part or in whole upon the PSN.

The government and our society as a whole are heavily reliant on computers. Computer systems store and process our most sensitive national and industrial secrets. The threat to this information is very real. Designing appropriate computer security is a vital component to preventing computer crime. This includes not only security programs connected with systems, but physical security, personnel security, operational security, and communication security. The most visible threat is the hacker, responsible for many of the reported intrusions into government and

private networks. Considering most intrusions go undetected and/or unreported, the hacker's true impact is undeterminable particularly when their specific objectives are unknown.

The Computer Emergency Response Team, known as CERT, based at the Carnegie-Mellon University, in Pittsburgh, Pennsylvania, reports that the number of reported intrusions into U.S.-based computer systems rose from 773 in 1992 to more than 2,300 by 1994, a 197 percent increase in two years. Additionally, CERT reported the number of sites attacked rose more than 89 percent during the same period. Although the statistics are not comprehensive, they nevertheless are indicative of a significant rise in the crime problem. The estimated cost of intrusions is astronomical considering the hackers ability to steal, modify, or destroy sensitive data. A recent survey, conducted by the Computer Security Institute of San Francisco, California found that break-ins, unauthorized access, and other security breaches cost them a staggering \$63 million over the past several years. However, only 12 percent of respondents surveyed placed a dollar value on their losses. Thus, the actual dollar loss to the nation is significantly understated with estimates ranging as high as \$5 billion annually.

In addition to attacking this crime problem, our investigative efforts have served as a deterrent factor. An early example of this is a joint investigation in which the FBI participated, involving a group of computer hackers known as the "Masters of Disaster." Following the announced indictments and arrests of seven individuals in the group, security officials from various computer networks subsequently advised the FBI of a significant temporary reduction in intrusion attempts.

The Washington Metropolitan Field Office's National Computer Crime squad, created in 1992 to address national and international computer crimes, has been augmented by creating two

additional regional computer crime squads with similar responsibilities in the FBI's New York and San Francisco Divisions. These squads will work closely with the "High Technology Crime" Squad previously established in San Francisco to respond to related high technology crime matters, i.e., theft of computer chips, economic espionage, computer intrusions and the illegal copying of computer software, in the Silicon Valley.

An emerging trend in the banking arena is that of "Cyberbanking". Recent technological advances in telecommunications and the computer have brought about a circumstance where banks can offer many of the same services on a much wider scale without having to invest vast sums into the brick and mortar of additional banks and branches. The growing user-friendliness of the Internet now allows inexpensive, instant telecommunications around the globe. With this ability also comes the potential for new avenues of fraud to be perpetrated by computer savvy criminals. There are currently more than 35 million Internet users worldwide. Since 1990, Internet use has grown more than tenfold. One business group estimates that more than 21,000 businesses are now connected to the Internet, compared to only 1,000 in 1990. Criminal Internet users can remain anonymous and evade detection by using aliases. They can also obscure their trail by routing their activities through other computers. Criminals can use encryption to protect their communications from anyone, law enforcement included.

The impact of this emerging technology on financial institutional fraud is evidenced by an FBI investigation regarding attempts to illegally wire transfer millions of dollars from Citibank. Between June and October 1994, 40 wire transfers were attempted from Citibank Cash Management System (CCMS). Access was gained by compromising the password and user identification code system through the use of a computer and phone line located in St. Petersburg,

Russia. Citibank was successful in blocking most of the transfers, or recovering the funds from recipient banks, before funds were withdrawn. As a result, losses were limited to approximately \$400,000. With the assistance of the Russian MVD, computer software was seized in St. Petersburg and was analyzed in Russia by representatives of the FBI's Computer Analysis and Response Team, established to conduct in-depth forensic analysis of computer evidence. The investigation has resulted to date in four subjects pleading guilty.

As indicated above, the FBI is actively addressing multiple types of crimes which significantly impact financial institutions. However, the FBI does not believe that the activities of organized criminal groups perpetrating external frauds threaten the integrity of the banking system.

While these crime groups are a significant problem, the FBI believes that the greatest threat to the stability of the financial industry continues to be conspiracies perpetrated by industry professionals. Bank fraud as perpetrated by banking insiders greatly overshadows, in terms of dollar losses and public confidence, those external frauds perpetrated by organized criminal groups.

One has only to look at examples of the losses incurred in two recent incidents of insider fraud that resulted in substantial bank losses and failures. Japan's Daiwa Bank lost approximately \$1.1 billion in bond trading and has been ordered to cease operations in the U.S. The other incident involves the British trader Nicolas W. Leeson who was charged with fraud and forgery related to \$1.4 billion in losses to the Barings P.L.C. merchant bank. Leeson, a derivatives trader, handled contracts worth millions of dollars on the Singapore International Monetary Exchange. These losses resulted in the collapse of the bank.

To address the above crime problems, the FBI has utilized a vast array of federal criminal statutes (See attachment #1). These statutes have provided us with the tools to adequately address the crime problems and have significantly contributed to our success.

ATTACHMENT #1

FINANCIAL INSTITUTION FRAUD VIOLATIONS

<u>VIOLATION</u>	<u>FEDERAL LAW</u>	<u>MAXIMUM PENALTY</u>
Bribery	T18 USC 215	30 Yrs/\$1 Million
Conspiracy	T18 USC 371	5 Yrs/\$10,000
Counterfeit State and Corporate Securities	T18 USC 513	10 Yrs/\$250,000
Embezzlement, Theft or Misapplication	T18 USC 656, 657	30 Yrs/\$1 Million
False Entries, Reports and Transactions	T18 USC 1005, 1006, 1007	30 Yrs/\$1 Million
False Statements - Loan and Credit Applications	T18 USC 1011, 1013, 1014	30 Yrs/\$1 Million
Fraud and Related Activity in connection with access devices	T18 USC 1029	20 Yrs/\$100,000
Fraud and Related Activity in connection with computers	T18 USC 1030	10 Yrs/Fine
Mail Fraud	T18 USC 1341	5 Yrs/\$1,000
Wire Fraud	T18 USC 1343	5 Yrs/\$1,000
Bank Fraud	T18 USC 1344	30 Yrs/\$1 Million
Money Laundering	T18 USC 1956, 1957	20 Yrs/\$500,000 Plus Forfeiture

Racketeer Influenced Corrupt Organizations (RICO)	T18 USC 1961	20 Yrs to Life Plus Forfeiture
Bank Larceny	T18 USC 2113	20 Yrs/\$5,000
Interstate Transpor- tation of Stolen Property	T18 USC 2314	10 Yrs/\$10,000



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Testimony of

RICHARD A. BROWN
DISTRICT ATTORNEY, QUEENS COUNTY

before the

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES

10:00 A.M. Wednesday
February 28, 1996

2129 Rayburn House Office Building
Washington, D. C. 20515-6050

TESTIMONY OF DISTRICT ATTORNEY RICHARD A. BROWN
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND FINANCIAL SERVICES
FEBRUARY 28, 1996

Losses resulting from credit card fraud worldwide are estimated to amount to almost three billion dollars each year -- half of that amount in the United States. The apparent ease with which credit card fraud rings take over the identity of legitimate cardholders and rip off banks and credit card companies and create financial havoc for legitimate cardholders is alarming. The losses are, of course, paid for in the last analysis by the consuming public. And, it takes months -- often years -- for the victims of credit card fraud to undo the damage done to their reputations and to restore their credit status.

Indeed, the problem has become so widespread that it has begun to draw the attention of the national media. Over the past few weeks, it has been the subject of a number of newspaper and magazine articles, including one two weeks ago in Time Magazine -- and this past Sunday evening it was the focus of a segment of CBS Television's "60 Minutes."

Three weeks ago, after a five month investigation, our office filed a 200 count indictment in New York's Supreme Court under our State's Organized Crime Control Act -- our State's equivalent of the Federal RICO statute -- charging eight Nigerian nationals with operating a multi-million dollar counterfeit and stolen credit card ring in the New York metropolitan area -- a ring that specialized in the theft of the credit identities of thousands of people across the United States and that had contacts throughout the world.

The indictment alleges the existence of a very sophisticated, highly structured ring of credit card and credit identity thieves whose members were masters at accessing credit and financial information -- and at evading detection by law enforcement. Just as they assumed the credit identities of their victims, those involved took new and different identities of their own to avoid apprehension.

The ring -- and we believe that there are many more like them operating across the country -- is alleged to have operated on three levels or tiers. At the head of the organization was Olushina Adekanbi, known as "Shina." He and several other upper level managers are alleged to have directed the entire operation and to have obtained and possessed the equipment and technical skills required to produce counterfeit credit cards and to access confidential credit and financial information.

The second tier consisted of middle level managers who were responsible for recruiting and paying street level members of the ring or soldiers who used the stolen and counterfeit cards to obtain cash advances and purchase goods -- usually to be shipped to

Nigeria. The managers also are alleged to have located customers wishing to purchase stolen or counterfeit credit cards and having steered them to the principals.

The soldiers allegedly stole credit card receipts and invoices from businesses and retail establishments in which they worked or to which they had access and then passed the stolen documents up the chain of command to the top. They also allegedly bought and sold stolen credit cards on behalf of the ring and acted as "shoppers" who actually purchased goods and services with the stolen and counterfeit cars.

While most of the alleged members of the criminal enterprise are alleged to have resided in and operated out of the New York metropolitan area, it is alleged that they had well-established contacts in Texas, Illinois, California, Connecticut, Rhode Island, Massachusetts and New Jersey as well as in London, Tokyo, Singapore and Amsterdam. The web of contacts enabled the enterprise to operate in one or many locations and to execute fraudulent transactions in many states and abroad.

The workings of the ring are best explained by describing how their members obtained access to credit and personal information about their victims and thereafter used that information to their advantage. According to the indictment, in some instances the soldiers took advantage of their positions as employees in retail establishments in cities across the country and stole credit card receipts and invoices containing the names, addresses and credit card numbers of their customers. The search warrant that was executed at the apartment out of which the ring in our case operated resulted in the seizure of invoices stolen, for example, from a Watertown, Massachusetts appliance store, a storage facility of Budget Car and Truck Rental in Warwick, Rhode Island and from a Shell gasoline station in Evanston, Illinois.

The credit card receipts and invoices stolen by the ring's soldiers would be delivered to the middle managers who would use the information thereon -- name, address, credit card number, telephone number -- to obtain additional data about the cardholder and to gain access to his or her credit identity. Using this information, Adekanbi and his confederates are alleged to have manufactured thousands of counterfeit credit cards using the victim's credit card or access number and a fictitious name that could be used by low or middle level members, oftentimes with a fake photo ID card or driver's license, to obtain money or purchase goods and services.

But they didn't stop there. The organization's members would, it is alleged, look to obtain even more information about their victim. Sometimes, for example, they would contact credit reporting services -- like Equifax or TRW -- or a mortgage company

or a car dealership to obtain their victim's credit history and credit limits, to determine the existence of other credit card accounts and learn additional personal data about their victim. This information would then be used to create additional credit cards, fake drivers' licenses and other forms of identification that would be used in turn to obtain more cash advances and more goods and services -- even convenience checks to be used to withdraw funds from their victim's account or to increase the credit limit thereon by writing a check on an account already cleaned out.

Another tactic used by the ring was to divert the cardholder's mail to mail drops in other cities controlled by them. This would be done simply by filling out and submitting a forged United States Postal Service change of address form at a local post office based on personal information about the victim taken from the stolen cards and invoices. No identification is apparently required by the postal authorities. Indeed, change of address forms can simply be mailed to the local post office and their mail will be intercepted and diverted to another address or to a post office box or mail drop rented by the thieves.

In other cases, ring members are alleged to have stolen valid Visa and MasterCard credit cards from the mail or in "batch thefts" from the airports and then used or sold them. Typically, banks and credit card companies mail out large quantities of credit cards in single shipments destined for cardholders living in particular areas of the country. Such batches would be stolen at airports or other points of shipment. For example, there were seized in our case many Bank One and AT&T Universal cards stolen from the Houston, Texas airport in 1995. Once in possession of a victim's mail or stolen card, ring members can activate cards or request new PIN numbers on existing cards and obtain access to their victim's funds to the extent of their credit limit.

Another example of that which occurs is the theft of credit information directly from financial institutions. Thus, in our case investigators seized computer sheets stolen last year from Chemical Bank in New York City on which were provided the name, address, social security number, personal data, credit limits, tracking information and PIN numbers and other information for Chemical Bank Visa and MasterCard cardholders.

Stolen cards are generally sold to soldiers or outside customers for ten percent of the access number's credit limit (e.g. \$500 would be the fee for a stolen credit card with a credit limit of \$5,000.) Counterfeit cards are generally sold for a flat fee of \$650 and, because the resale value of a stolen card depends on the victim's credit limit, ring members are eager to ensure that their victim maintains a good credit rating while they are being victimized. Accordingly, they use counterfeit cards to pay off

account balances on their victim's legitimate cards so that they can be used to the full extent of their victim's credit limit.

The business of these criminal organizations is conducted on cellular telephones. To further the goals of the enterprise, the ring members possess and use cloned cellular telephones and fraudulently apply for cellular telephone service using the names and identities of their victims. By using cloned phones and fraudulent applications, many thousands of dollars of cellular phone calls can be placed and received without the ring members paying any monies to the cellular phone carrier and, by so doing, detection by law enforcement is made much more difficult.

In our case, the ring seems to have operated for some time without being disturbed. It had great success and its members were extremely knowledgeable and industrious. One worker had 32 successful ATM transactions in Connecticut during a ten-day period, each with an average payoff of \$1,000. So successful were Adekanbi and his organization that Adekanbi was known in Nigeria as the "King of New York." Part of the reason for his success was that he was very careful to avoid detection, having those who worked for him switch identities and by regulating and controlling the number of cards entering the stream of commerce at any given time as well as by having his employees operate in a number of different cities rather than in a single location.

But in September of last year, something happened that changed the ring's luck. One of its soldiers, a woman known as Florence Jameson, attempted to use a counterfeit credit card to purchase a \$2,000 fax machine, a \$1,200 computer and other items at a business supply store in Bay Ridge, Brooklyn. A store employee realized that the card was counterfeit and notified authorities. The woman was arrested and debriefed and the information obtained ultimately led to Mr. Adekanbi's apartment in an apartment house on a quiet residential street in Jamaica, Queens. Search warrants were obtained and executed at that apartment and the results were amazing.

We discovered a stolen and counterfeit credit card factory that could manufacture unlimited quantities of counterfeit credit cards. A team of investigators from my office, the United States Secret Service, United States Postal Inspection Service and the New York City Police Department seized hundreds of counterfeit and stolen Visa, MasterCard, American Express and DiscoverCard credit cards. There were stacks of blank plastic cards and other cards in various stages of being counterfeited. The investigators also discovered hundreds of United States Postal Service change of address forms, holographs, magnetic tape and other equipment used to manufacture counterfeit credit cards including an encoding machine used to insert data on a card's magnetic strip, an embossing machine that presses out the raised lettering on a card

and a tipping machine for applying gold-colored ink to the raised letters. Also seized were a large quantity of access numbers for credit cards and bank accounts -- numbers that could alone access some \$8 million in credit. Also seized were computers, cellular phones and beepers as well as extensive computerized information stored in the ring's computer data base and other records and information relating to its illegal activities.

Months of hard work followed. A team of experts -- financial fraud investigators, detectives and assistant district attorneys began the painstaking work of sorting through every piece of paper seized -- every invoice, every credit statement, every change of address form and all of the books and records that the organization kept -- in order to determine the full nature and scope of the criminal enterprise and put together a case for criminal prosecution against the principals. As the investigative team found documents relating to out of state transactions, local law enforcement agencies in each jurisdiction were contacted and their cooperation and assistance were sought. They, in turn, were able to provide invaluable assistance. Because they were involved in the local investigation and prosecution of even small transactions in their jurisdiction, they were often able to provide key witnesses and missing pieces that helped explain the larger picture. Every lead was followed up until we felt that we had legally sufficient evidence to charge Adekanbi and his confederates under our State Organized Crime Control Act statute.

The investigation leading to last month's indictment could not have been successfully conducted without the cooperation and support received from the Special Investigations Division of the New York City Police Department, the United States Postal Inspection Service, the United States Secret Service and the credit card and banking industries as well as from ATT Wireless/Cellular One and Bell Atlantic/NYNEX Mobile. Because of the interstate and international reach of the ring, we also sought and received assistance from the Waterford, Connecticut, Fort Lee, New Jersey and Evanston, Illinois Police Departments, the Metropolitan Police Service (Scotland Yard), the Bronx, Nassau and Kings County, New York District Attorney's Offices and the Connecticut and Maryland State Attorney's Offices.

And none of that which we accomplished could have occurred without the leadership, professionalism and dedication of my office team lead by Senior Executive Assistant District Attorney for Investigations, John M. Ryan, and the Chief and Deputy Chief, respectively, of our Economic Crimes Bureau, Michael J. Mansfield and Edward J. McGovern. Assistant District Attorneys Diana M. Peress and Jeffrey P. Horblitt did yeoman work on the case as did so many others including Detectives George Byrd, Frank O'Rourke and Russell Gaska of our Detective Bureau.

It is my hope that the indictment that has been filed by us in New York, the national publicity that has been received with respect to the issue of credit card fraud and the holding of this hearing by your distinguished committee will alert consumers to the existence of these criminal rings and encourage consumers -- and banks and credit card companies and merchants as well -- to take greater precautions in the issuance, use and acceptance of credit cards.

While some steps -- such as the discontinuance of the use of carbons of card imprints, known as "black gold" among thieves because of their value -- have been taken to cut down on credit card fraud, there is much more that must be done.

Additional educational initiatives should be required to help legitimate merchants and their employees to spot counterfeit cards. Consumers must be made aware of the possibility of mail diversion and urged to contact their credit card companies and local post offices if they fail to receive their bills or other expected materials on time.

The United States Postal Service must begin to build into their system security safeguards before they allow mail to be diverted. The Postal Service makes it is much too easy to divert one's mail today. Change of address cards can be sent in by mail with no questions asked. No personal appearance nor photo ID is required. The post office will simply forward your mail -- including bank statements, investment account reports, credit card bills -- to whatever location or mail drop thieves ask that it be sent. And no questions are asked.

And how does the Postal Service respond? Leslie Stahl said last Sunday night on "60 Minutes" that they initially said "the problem was insignificant" but that later they called back and said "No, you're right, we do have a problem. We have a huge hole in our system." Somehow that hole must be closed.

Two suggestions I would make toward closing that hole. I'm sure there are more. Firstly, I would require a personal appearance with proper photo ID before one's mail is diverted. And secondly, I would require the sending of a confirmation notice by the Postal Service to the consumer before diverting any mail from his residence.

Another step would be to encourage law enforcement and security personnel to debrief "shoppers" who use stolen and counterfeit cards in order to determine if they are part of a larger ring. Prosecutors can be more aggressive by not just going after the individual who uses the phony card but rather -- as was done in our case -- by using our State's Organized Crime Control Act with its enhanced penalties of up to 25 years in jail to get at

the entire ring and all of its members.

In our case, Mr. Adekanbi's history also suggests that we must strengthen our efforts to deter deported criminals from re-entering the country. Mr. Adekanbi was deported in 1992 after a previous criminal conviction for credit card fraud, but was able to return to this country about a year later under an assumed identity. And his trip was probably paid for on a stolen or counterfeit card -- or perhaps with frequent flyer mileage accumulated on a legitimate credit card.

And to facilitate the investigation and prosecution of credit card fraud cases, banks should be required to retain their bank surveillance photos for a longer period of time than they now do. Because there is at least a 30 day lag before a consumer discovers that his or her credit identity has been stolen, bank surveillance photos should be retained at least that long and probably longer. And banks should provide the same documentation to investigators in credit card cases as they do in bank robbery cases. That does not always happen now even though banks lose much more money through credit card fraud than they do as a result of bank robberies.

But most importantly, I would argue that we've got to change the mindset of the credit card and banking industries -- and that of the consumer as well. Security and fraud enforcement are taking a back seat to those who market and use credit cards. The view of the industry marketing people seems to be that if we tighten security too much and make it more difficult for the consumer to use his or her credit card, the card will be used less -- that losses from credit fraud can easily be absorbed as long as credit cards are easy to acquire and to use and gross sales continue to grow. Their theory is to make it as easy as possible for the consumer to acquire and use his or her card -- send him pre-approved credit in the mail, give him a gold card and don't allow cashiers to question his identity, let him get a new card over the telephone or replace an allegedly lost PIN number simply by calling. If one transaction out of ten is fraudulent, so what. The other nine will absorb the loss.

I would argue, however, that to allow credit card fraud to continue to flourish as it now does -- is pennywise and pound foolish. Credit card fraud rings such as those involved in our case are becoming much more sophisticated. Losses will continue to grow. These rings will not limit themselves merely to credit card fraud but will expand into all other types of financial abuses. Consumers will become less and less willing to pay the high interest rates that are required to cover the losses generated by these credit card and financial fraud enterprises.

Last Sunday night's "60 Minutes" program focused on a staff doctor at the Mayo Clinic in Rochester, Minnesota. Not only was

she the victim of credit card fraud, but the thieves found a way to tap into her retirement fund -- they asked for a redistribution form and then sought a lump sum distribution with penalty and sent it in. They attempted to get a \$15,000 check out of the doctor's investment account and even accessed her daughter's college fund.

All sorts of other types of financial fraud -- moneylaundering, for example, and other economic crimes -- crimes which facilitate criminal activity and have a devastating impact on our citizens are growing by leaps and bounds. As our indictment in New York demonstrates, we -- and local and state prosecutors like us -- stand ready to aggressively investigate and prosecute these crimes. However, to do so effectively, we need the continuing cooperation of our colleagues in federal law enforcement and access to intelligence gathering resources like, for example, FINCEN which offers invaluable assistance in the area of moneylaundering. And we need to see implemented the kinds of suggestions that I have made here today.

By so doing and by pooling the vast resources of law enforcement expertise available at the local, state and federal level -- including that available from the security people in the credit card, banking and financial industries -- I am confident that we can do a great deal to effectively respond to the growing problem of organized criminal enterprises involved in multi-jurisdictional and international financial crimes.

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Department of Justice

STATEMENT OF

MARK M RICHARD

DEPUTY ASSISTANT ATTORNEY GENERAL

CRIMINAL DIVISION

BEFORE THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

THE THREAT ORGANIZED CRIMINAL GROUPS POSE TO THE
INTERNATIONAL FINANCIAL SYSTEM

ON

FEBRUARY 28, 1996

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear with fellow law enforcement colleagues before you today to discuss the threat organized criminal groups pose to the international financial system and some of the steps the United States must take to combat international organized crime.

1. International crime poses an increasing threat:

The United States must do all it can to counter foreign countries' becoming havens for organized crime and criminals that can, in the modern era, so easily victimize our citizens. We are concerned about the impact of international organized crime on United States financial and commercial institutions, especially since the United States goes to great lengths to encourage free trade throughout the world. In fact, in response to the growing threat to the United States posed by international crime, in his October address to the United Nations General Assembly, the President announced a number of steps we will be pursuing to combat international crime: maintaining strong sanctions against states that sponsor terrorism; pressing nations which are most egregious

in facilitating money laundering to conform to international standards; and working with foreign governments to help prevent their penetration by organized crime.

We must recognize that developing countries, with weak judicial systems and poorly equipped and trained police forces, are easy game for organized criminal groups. Similarly, countries facing difficult transitions into democracy and privatization, coupled with the advances in technology, are ripe for exploitation by organized criminals. The results are not only increased instability within those countries, but an increased risk of crime reaching our shores.

Specifically, the rise of organized crime in Russia, the Newly Independent States, and Central Europe is a growing concern to the U.S. law enforcement community. The Federal Bureau of Investigation reports that money laundering is one of the most serious concerns of Russian and Eastern European law enforcement. This activity is not confined to the region. According to FBI reports, certain Russian and other Eurasian emigres are converting

millions of dollars worth of rubles into U.S. currency, through transactions with U.S. financial institutions and businesses. While some transactions may involve legitimate movement of funds, there are many indications that other of these funds originate from fraud, theft, and organized crime within Russia and other former Soviet Republics.

2. We must train our foreign law enforcement counterparts in investigating and prosecuting financial crimes:

International cooperation is crucial to combatting transnational organized crime. One of the most important steps in we must take in fighting international financial crime is increasing our efforts to assist and train foreign law enforcement officials. By so doing, we establish regular channels for exchanging information that identify the members of organized criminal groups and their modus operandi.

As you may know, the Federal Bureau of Investigation ("FBI"), the Drug Enforcement Agency ("DEA"), and other United States law enforcement agencies are all involved in extensive police training

initiatives in Central Europe, Russia and the Newly Independent States ("NIS"), which are funded by the Freedom Support Act ("FSA") and the Support Eastern European Democracy Act ("SEED"). These and other agencies, with significant support from the State Department, are also actively involved in an exciting new project, the International Law Enforcement Academy in Budapest ("ILEA"), which the FBI spearheaded, and which is already providing important training to mid-level police managers in the region.

ILEA trains managers from Eastern European law enforcement bodies on investigative techniques and philosophies relating to all types of crimes, including white collar crime and organized crime. These law enforcement managers can then take what they have learned back to their own countries and apply it to their own investigations. In addition to the regular training sessions, the center is used for various international working groups, wherein case-specific issues are discussed and information is shared among the various countries' law enforcement representatives.

Also, under a program funded by the U.S. Agency for International Development ("USAID"), we have two prosecutors working in Moscow. They are assisting with reform of criminal laws, including much needed legislation to combat organized crime. At the invitation of the Russian Procuracy and Ministry of Justice, they have provided specialized training to Russian prosecutors and judges. They have also begun to act as instructors in training programs organized by the FBI and other law enforcement agencies.

Through these types of efforts, we are able to build relationships with foreign law enforcement officials that enhance our ability and their ability to fight international organized crime.

3. We must do everything possible to ensure that the United States and foreign countries are not safe havens for criminals:

Not only do we need to increase our efforts to assist and train foreign law enforcement officials in investigating financial crimes, we also must do everything possible in this area to secure mutual legal assistance agreements and treaties that permit the

sharing of criminal intelligence. Some foreign law enforcement officials need the legal authority -- as we now have -- to exchange information currently protected from dissemination.

Just as the international financial community needs honest and accurate information if it is to function properly, so we prosecutors need accurate information about criminals who have infiltrated that community. This is particularly important in a world where the criminal and his victim may be linked only by two computer terminals thousands of miles apart, and where crime may be committed with stolen access codes or counterfeited credit cards. Obviously, the investigation of such crimes becomes more difficult when the perpetrator and the victim reside in different countries; are governed by widely disparate financial laws; and have never met one another.

It is not uncommon, for example, for United States law enforcement agencies to learn of the electronic -- or even physical --- movement of huge sums of money said to be the proceeds of criminal activity into or through United States banks from Eastern

Europe. However, the documentation and witnesses necessary to demonstrate, first, that a fraud or theft has occurred under the laws of another country and, second, that the monies being passed through United States banks are the proceeds of such crimes are quite often unavailable. As you know, our criminal money laundering statutes apply only where there is evidence of "specified unlawful activity," that is, unlawful activity enumerated in the money laundering statute, 18 U.S.C. §1956. Consequently, what may or may not be a money laundering transaction can be determined only through a full exchange of information and documentation between the affected countries.

One sign of progress in this area is the mutual legal assistance agreement between the United States and Russia, which took effect on February 5 of this year. This agreement provides in part for:

- I. Mutual assistance in providing testimony, documents, locating and identifying persons, and executing searches and seizures; and

II. Forfeiting assets.

We hope this agreement will generate significant cooperation as well as the disclosure of financial records needed to detect or confirm the illegal infiltration or abuse of our respective financial communities.

Just as mutual legal assistant treaties provide prosecutors with the information necessary to identify and pursue criminals, extradition treaties constitute the primary means by which prosecutors secure the return of international criminals for prosecution. We are, in partnership with the State Department, actively negotiating extradition treaties where they do not exist, and are also updating those which do not, as drafted, provide a reliable means for obtaining the return of fugitives. We must work with the other nations of the world toward the goal of ensuring that criminals have nowhere to hide.

Also, we must encourage foreign countries to adopt criminal laws that will enable them to prosecute financial fraud and access device schemes and recover the proceeds of those schemes. For

example, we must continue to work aggressively to ensure that other countries pass money laundering laws that will remove these countries as "safe havens" for financial crimes.

Additionally, we must also make sure that our laws stay current with the rapid technological advances that are being used in the financial fraud and access device schemes. Moreover, we should ensure that we have the mechanisms necessary to strip financial fraud schemers of the profits they generate through their schemes and the computers, access devices, and other machinery and facilities they use to implement their schemes.

Finally, in our own country prosecutors and bank regulators also need to share more information with each other. For example, when foreign banks apply to enter the U.S., particularly those from countries recognized as posing major organized crime threats, our current system does not require regulators to notify law enforcement either of a foreign bank's application to establish operations in the United States or of the ultimate approval or rejection of such an application. Thus, the law enforcement

community is seldom aware of the applicant bank's commercial intentions, and is unable to conduct research on or otherwise investigate the applicant bank prior to the bank's commencement of business in the United States. By the same token, regulators often are unaware of information the law enforcement community may have regarding the applicant bank, its customers, and any criminal ties it may have. The law enforcement community and regulators could both benefit from an enhanced dialogue that encourages more information flow between them, without encroaching on the other's authority. This is an avenue that the Department of Justice intends to pursue.

Once again, I am grateful for the opportunity to appear before the House Committee on Banking and Financial services today to give you the Department's views on international organized crime. I look forward to working with the distinguished Members of the Committee, and my colleagues here today, to combat international organized crime.

STATEMENT

of

BORIS F. MELNIKOFF

**SENIOR VICE PRESIDENT
WACHOVIA CORPORATION**

on behalf of

THE AMERICAN BANKERS ASSOCIATION

before the

**COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES**

FEBRUARY 28, 1996

OVERVIEW OF THE U.S. BANKING INDUSTRY'S EFFORTS TO ELIMINATE FRAUD

Good Morning Mr. Chairman and members of the Committee, I am Boris F. Melnikoff, Senior Vice President and Director of Corporate Security for Wachovia Corporation in Atlanta, Georgia. I am here today representing the American Bankers Association (ABA) of which I serve as their Money Laundering Task Force Chairman. The American Bankers Association is the only national trade and professional association serving the entire banking community, from small community banks to large bank holding companies. ABA members represent approximately 90 percent of the commercial banking industry's total assets, and about 94 percent of ABA members are community banks with assets less than \$500 million. ABA has been asked to discuss money laundering trends and other types of financial fraud both domestically and internationally. We welcome this opportunity to outline for the Committee, the banking industry's efforts in deterring all types of financial fraud. ABA believes that our response to this problem has been strong and our ongoing efforts successful. Clearly, all parties can do more and we appreciate the Committee's interest in this issue.

The Committee has indicated its concern with the threat of organized criminal groups to the international financial system and while the ABA shares that concern, we must also emphasize that the U.S. financial industry addresses fraud, whether committed by groups or individuals, on an ongoing basis in a variety of ways. The industry is working diligently with our government counterparts to ensure that the financial community has all the appropriate tools to combat all types of bank fraud. The ABA is committed to that result and we have created educational mechanisms so that our members are prepared for financial crimes and know best how to respond to that problem.¹

VARIOUS TYPES OF BANK FRAUD

The Committee seeks ABA comments on the various types of financial crimes associated with organized groups. Many of the crimes can occur on a random basis so trends will be the same, regardless of who commits the crime. ABA, as well as many other groups, has tried to estimate the scope of the fraud problem. While there does not seem to be a

¹On April 1, 1996 all of the federal financial agencies will require banks and other financial institutions to file suspicious activity reports or SARs with the Financial Crimes Enforcement Network (FinCEN). This new streamlined reporting system, that will greatly enhance the efficiency of reporting possible crimes against the financial community, is the subject of three seminars sponsored by the ABA in early April and produced with the help of FinCEN, the Federal Reserve Board, U.S. Secret Service and the FBI. This joint endeavor is just another example of the ongoing alliance between banking and the government that will better equip our industry to respond to fraudulent activity.

consensus on the size of money laundering both in the U.S. and abroad², we have several estimates on other types of fraud.

For example, one of the major crimes committed against banks and other businesses is check fraud.³ Our Association completed a survey of check fraud losses in 1994 and those results are attached to this statement. The estimate for industry losses from that survey was \$815 million, up from \$568 million in the last survey (1991) -- a 43.5% increase. The survey respondents told us that check fraud can be perpetuated with forged signatures, forged endorsements, check kiting, or counterfeit checks. This may occur through organized efforts, but it is not limited to those activities. In order to address this problem, banks have, among other things, indicated a need to educate their corporate customers about their responsibilities for preventing check fraud. In addition, the industry stresses that there must be employee training for front-line personnel, managers, and/or backroom personnel. Other popular initiatives to deter fraud include account screening, signature verification and deposit review. Many banks also verify questionable or irregular items such as signatures and check stock, or phone customers to verify large dollar amounts. To repeat Mr. Chairman, the problem of check fraud is harmful to banks and the economy whether initiated by organized groups or by individuals. ABA continually provides information to its members on how to protect against being a victim of fraud but vigilance is the key.⁴ As we continue to discuss the industry response to fraud, it must be emphasized that there is one common thread to all deterrence -- know your customer. We will amplify this concept later on in this statement.

In addition to counterfeiting and other elements of check fraud, financial institutions also feel the brunt of credit card fraud⁵ and commercial loan fraud. In 1994, account takeover fraud -- one type of credit card abuse, resulted in a \$37.3 million increase from 1993. While there is no one factor that led to this increase, security officials have stepped up their

²Estimates on money laundering range from \$300 billion annually to \$85 billion. However, according to an Office of Technology Assessment (OTA) study, "this and other estimates of the scale of money laundering must be viewed skeptically...(n)o one can be sure how much money is laundered."

³Check fraud is also exacerbated by the federal Expedited Funds Availability Act (12 USC 5001 et seq.). That law requires depository institutions to provide customers their funds before the depository institution knows that the check deposited is payable. Criminals use this law to their advantage. (The Federal Reserve Board pursuant to the 1994 Community Development Banking Act, is currently preparing to conduct a study on the advisability of revising that law to extend the time banks may hold some deposits.)

⁴According to Bankers' Hotline, a monthly newsletter covering fraud and other issues for front-line personnel, counterfeit check activity has forced the National Fraud Investigation Center, Inc. (NFIC) to create a counterfeit check database with the FBI and the Secret Service. This is another example of banks working with the government to solve the fraud problem.

⁵Excerpts from ABA's Bank Card Survey for 1995 are also attached.

detection efforts. Commercial loan fraud losses average \$175,000 per loss according to the FBI. A "Fraud Assessment and Impact Study" compiled by NFIC and Trans Union found that the top five fraud concerns for banks were check fraud, fraudulent accounts, new account fraud, counterfeiting and true name fraud. All of these problems can be and are being addressed by extensive training through ABA's conferences, videos and educational publications. For example, our Association publishes a monthly "Bank Security and Fraud Prevention" newsletter which we have attached to this statement. We are also proud of our National School for Bank Security, a week-long training program held March 3-8, 1996 at Georgetown University.⁶

Mr. Chairman, ABA does not believe that the enactment of any new or modified banking or criminal laws will be a better method to combat the fraud threat, but we would be happy to comment on any specific proposals that the Committee may be considering.

MONEY LAUNDERING -- THE U.S. RESPONSE

The ABA has long supported the efforts of the Congress and the U.S. Government in its drive to address money laundering activity throughout the world.⁷ ABA was pleased to support the Money Laundering Suppression Act of 1994 (P.L. 103-325) which was enacted to improve the regulatory process covering the Bank Secrecy Act. Due to that legislation, FinCEN has successfully reduced the size of the Currency Transaction Report (CTR) and are close to further streamlining the entire cash reporting process. All of these initiatives will assist the industry and the government in their efforts to stop money laundering by refocusing our efforts from routine reporting to suspicious transaction reporting. FinCEN deserves much of the acclaim for spearheading the regulatory burden reduction process that benefits both bankers and law enforcement.

To continue on the point of reducing the amount of cash reports, ABA would like to reemphasize the partnership developed in the past several years between the government and the banking industry. This alliance needs to be highlighted because the same relationship is not common in foreign countries. The lack of private-public sector teamwork internationally needs to change if the goal is improved (and more effective) vigilance on the part of bankers. Specifically, the recent UnderSecretary for Enforcement at the Department of Treasury initiated, and the Director of FinCEN carried out, the formation of a Bank Secrecy Act Advisory Board comprised of private and public sector representatives to meet on a regular basis and discuss trends in money laundering, the

⁶In addition to ABA's efforts, other organizations recognize the scope of fraud. The International Banking Security Association (IBSA), a group in which ABA actively participates, has just released a booklet on International Fraud. That document is attached for your information.

⁷ABA supported the original money laundering proposals that eventually became 18 U.S.C. 1956. I was fortunate to have represented ABA in the first Congressional hearing on this subject in 1985. The Association has continued its efforts to support fair and necessary legislation as well as working to improve the current regulatory scheme.

current regulatory structure and what changes were necessary to streamline and improve the system. Over thirty individuals meet and engage in candid discussions which have resulted in an improved regulatory system. This "forum" was duplicated at a January, 1996 meeting in Paris with international representatives prior to the Financial Action Task Force (FATF) meeting and should be the goal for all nations.

In the international arena, the Financial Action Task Force serves as a forum for ideas and recommendations on how to eliminate money laundering activities not only in our own countries but with our neighbors throughout the world. FATF is to be commended for its dedication to this worthy goal and it is imperative that the private sector lend its expertise and energy to increasing the obstacles for narcotics traffickers and other criminals who illegally use our financial institutions to move their ill-gotten gains. ABA has supported these efforts but, as we previously mentioned, the record of our international counterparts has been mixed, at best.

The ABA stands ready to continue its decade-long involvement in educating bankers and other private sector representatives on the need for compliance and vigilance with money laundering laws and activities. We have worked with FATF and its members so that one day we can all trumpet the end of money laundering in financial institutions everywhere. We urge the Committee to go on record advocating the need for increased international cooperation.

A. Trends in Money Laundering

The first thing that one must understand about money laundering in the United States is that the financial industry is extremely varied, with institutions ranging from small community banks to large international financial service providers. Thus, the experiences will differ widely as to what is attempted by criminals. Much of what we have seen in the past several years, in the aggregate, has been continued attempts to evade the cash reporting requirements (i.e. through structured transactions), the creation of "front" companies designed solely to move the proceeds of illegal activities and complicated investment schemes. In addition to those well-known activities, domestic financial institutions are wary about transactions with certain countries that are considered drug havens by U.S. and international authorities. We have also seen a rise in possible illegal transactions in certain financial institutions that are not regulated by federal banking agencies. As with any general statement, it must be emphasized that many "non-bank" financial institutions are working toward developing improved compliance systems but the amount and frequency of federal examinations will often dictate the seriousness by which those institutions take anti-money laundering deterrence responsibilities. The ABA acknowledges our own industry's past shortcomings in this area but our progress is well documented and we are confident that other financial service providers share our support for improved compliance.

The trends in money laundering must, by definition, be discovered by law enforcement and state and federal bank regulators since those entities are better equipped than bank officials to discover new forms of criminal activities and to distribute this information to all concerned parties. The U.S. government has been working toward an improved "alliance"

with the private sector to share information on new trends and schemes and we are optimistic that the sharing of critical information will continue. The ABA has offered its services in this regard and we urge our counterparts both in the U.S. and abroad to do the same.⁸

Mr. Chairman, while there are many examples of cooperation with the government, I would like to offer one strong example. The level of success in deterring money laundering achieved by the models of industry-government cooperation in such places as Oklahoma speak for itself. The following are money laundering schemes uncovered by the joint efforts of Oklahoma bankers and law enforcement agents:

- A financial institution reported suspicious activities by a group of individuals who were opening new accounts. As a result, a major cocaine distribution organization was uncovered. This organization had deposited in excess of ten million dollars in Swiss banks. The investigation resulted in the following seizures: a \$375,000 home in Oklahoma City; \$1,000,000 in cash in an Oklahoma City bank; an airplane located in Tucson, Arizona, valued at \$5,000,000; and in Reno, Nevada, automobiles valued at \$100,000, and gold and jewelry from a safe deposit box valued at approximately \$3,000,000.
- A financial institution employee contacted the Financial Task Force in Oklahoma concerning a new account holder who was receiving wire transfers from California and then withdrawing the money in currency (approximately \$50,000 each wire). This information uncovered a theft ring which had stolen almost four million dollars in microchips from a business in Oklahoma City.
- Three financial institutions independently reported suspicious transactions concerning the purchase of one or two cashier's checks in amounts of \$3,000 to \$4,000 with currency. This lead initiated an investigation which uncovered an international heroin organization which had laundered in excess of one million dollars through Oklahoma City banks in less than twenty-three days. The individuals who purchased the cashier's checks, known as smurfs, went to as many as twenty banks in one day acquiring cashier's checks. Law enforcement seized over 26 pounds of heroin valued at twenty million dollars in Oklahoma City.
- An alert employee at a financial institution reported that a customer was conducting repeated cashier's checks transactions in increments less than \$10,000, the threshold for bank reporting. As a result, the customer, who had embezzled his blind grandmother's life savings of \$350,000, was arrested. This same bank

⁸The ABA has been fortunate to have received the support of many government agencies in our seminars, conferences and schools that cover money laundering. During the past 10 years, our members have heard from the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Treasury Department, the Department of State, the U.S. Customs Service, the Internal Revenue Service, the Justice Department, FinCEN and many others. This support is critical if bankers are to receive proper training.

reported another suspicious transaction that resulted in the recovery of embezzled funds totaling \$125,000 from an out-of-state company and of \$66,000 from a local automobile dealer who was wanted in several states for similar embezzlement offenses.

- A Bank's BSA Compliance Officer called the Financial Task Force when an elderly gentleman began taking large cash advances on a number of credit cards. Because of this call, an investigation ensued that uncovered fraudulent telemarketing schemes in Las Vegas, Nevada and prevented the gentleman from losing his entire life savings.

The Oklahoma model of partnership (which has been duplicated in California, Arizona and Florida) strengthens both the banking industry and the government and is made possible only through the efforts of dedicated public servants that work closely and well with our industry.

Finally, we would be remiss if our association did not commend the various federal agencies for their efforts to train foreign law enforcement, regulators, and bank officials on current detection and prevention efforts. ABA has participated (as have several major U.S. institution bank officials) in a global attempt to share information and offer advice on how to craft effective fraud deterrence programs. The United States Customs Service, the Federal Reserve Board, FinCEN, various U.S. Attorney offices as well as many others have developed seminars, conferences and other forums to train our international counterparts in the critical area of fraud prevention and detection. The programs do not stress the U.S. regulatory and legal model as the answer to worldwide money laundering but create an opportunity for information exchanges that greatly assist all participants. This area of support gets little recognition and that needs to be remedied.

B. Countermeasures

Another area that we have been asked to cover concerns what countermeasures have U.S. financial institutions developed in order to both comply with our regulatory responsibilities and to develop an appropriate proactive response to money laundering. While the U.S. does not now have a regulation in place (although one is expected in 1996), the ABA has long supported the concept of formalizing a "know your customer" policy. In 1990, the ABA surveyed its membership to determine the extent to which institutions already had policies that could be construed as Know Your Customer procedures. At that time, over 86% of the respondents had KYC procedures of some type.⁹ The task force which I chair

⁹ In addition, then Chairman of ABA's Money Laundering Task Force, Earl Hadlow, told a U.S. Senate Committee in 1989 that "[t]he emphasis must shift, in a logical and reasonable manner, from currency transaction tracking to know your customer in all facets of transactions. A reasonable approach to the problem can only be accomplished by the concentrated cooperation of the government and the financial services industry." Mr. Hadlow went on to add that:

also developed recommendations in this area. Excerpts of what we concluded follows.

First, it must be emphasized that the Treasury Department [now FinCEN] now has the authority to require financial institutions to issue "Know Your Customer" (KYC) procedures based on the passage of the 1992 Annunzio-Wylie Money Laundering Act (Pub. L. No. 102-550). While the concept of KYC has long been a cornerstone of prudent banking, this will be the first time that the government will mandate that all financial institutions create such procedures.

Therefore at that time and once again, the Task Force states that the banking industry is poised to cooperate with the Treasury's efforts to formalize what, to a large degree, already exists in the commercial banking industry.¹⁰

Much of the banking industry's "countermeasures" will stem from a solid Know Your Customer procedure. The Task Force also concluded that, in a KYC policy, establishment of a tiered monitoring system of certain accounts and activities may be appropriate. ABA stresses that if there are no "red flags" or other indications of unusual behavior then monitoring need not take place. If, based on government and industry warning signs, there is an indication of illegal activity the bank would be required to conduct more research or analysis to determine if there is a problem.¹¹ It must be emphasized that the

ABA's Money Laundering Task Force, and the industry in general, recommend that financial institutions base their regulatory compliance on KYC. This means activities such as verifying the business of a new account holder and reporting activity in an account that is disproportionate to that customer's known business. Immediate reaction to unusual transaction activity should be the goal for all banking institutions. Identification procedures beyond the regulatory minimum should be considered to include situations such as verifying whether a document for identification that is seemingly altered is genuine. With these several concepts in play, individuals will find it increasingly difficult to deliberately utilize a financial institution for illegal purposes.

Financial institutions already have a well known KYC standard that does ensure compliance with both the Money Laundering Control Act and the Bank Secrecy Act. While we may not always agree as to what constitutes KYC, it is important that this concept be advanced within the industry.

¹⁰ We have attached ABA's KYC Policy Statement, issued July 1994.

¹¹ For example, one large financial institution, in its Code of Ethics states the following:

Money Laundering Activities/Bank Secrecy Act

Both federal and state law prohibit the laundering of money. Money is laundered to hide the criminal activity associated with it, including the crimes by which it is generated, e.g., drug trafficking, tax avoidance, counterfeiting, etc. Employees need

risk level associated with a well-known and respected corporation differs from that of some other entity. In addition, risks will vary along product lines. ABA has advocated that any final rules which are developed should specifically permit such differentiation. As long as FinCEN allows flexibility in handling customer monitoring, a KYC policy that includes this requirement could and will receive solid support from our industry.

C. Other Issues

In November 1995, ABA's Executive Vice President, Don Ogilvie wrote to FATF President, Ronald K. Noble, in response to a request to review long standing FATF recommendations, on creating effective money laundering enforcement programs. I will summarize several key points that we made at that time.

1. Review of FATF Recommendations:

Much of the FATF recommendations (i.e. passage of laws criminalizing money laundering, reporting of suspicious transactions and due diligence) have been implemented in U.S. banks and in place for many years. The ABA remains committed to the need for policies requiring non-banks as well as banks to keep certain records and identify customer transactions. We believe that our industry has an excellent record of emphasizing account-opening procedures in employee training programs as outlined in several FATF recommendations. We have also pointed out the need to streamline, and in some instances, eliminate reports and records on routine transactions, and the federal agencies responding to the Congress have already begun that process. Therefore, while we support having several of the U.S. Bank Secrecy Act laws being placed on all financial institutions throughout the world, changes and modifications to those laws are also necessary.

ABA also stressed that recommendations addressing the reporting of suspicious transactions and other "Know Your Customer" procedures are important requirements for all institutions to assist in money laundering deterrence, but that financial institutions must be protected from civil and criminal liability for fulfilling their responsibility to detect and report unusual or potentially criminal violations as well as closing accounts on individuals who have acted contrary to law and regulation.

to "know their customer," and be alert to the dangers to the bank should it, even unwittingly, become involved in receiving or laundering proceeds of crimes. Regulators require banks to report any known or suspected criminal activity, such as the laundering of monetary instruments or structuring of transactions to evade Bank Secrecy Act reporting requirements. Employees should contact their Regional Security Department immediately in the event any known or suspected criminal activity or transaction comes to their attention.

Finally, the FATF recommendations concerning cooperation and mutual assistance on an international basis are also critical to successfully create an atmosphere of vigilance on the part of the public and private sector.

2. Implication of Emerging Technologies:

With the advent of smart cards, banking on the internet and other "cyberspace" financial services, both the government and the industry must be prepared to address these tremendous new technologies as potential vehicles for money laundering. This must be done before, not after, they become commonplace. In addition, ABA has created a Payment Systems Task Force that is considering policy issues relating to the security of these new technologies.

Mr. Chairman, we would urge the Congress to aggressively support the action of the FATF so that all participating countries will take seriously the need for unity in combatting financial crimes.

ABA RECOMMENDATIONS

As this Committee continues its review of global financial crimes and how best to address fraud, our Association would ask that you consider the level of resources available to law enforcement in the United States. Due to the lack of funds in many agencies, frauds committed under certain thresholds (i.e. \$100,000 in New York City) are simply not prosecuted by U.S. Attorneys or investigated by law enforcement. Therefore large scale frauds, committed over time, may go unreviewed because of the dearth of manpower hours that can be dedicated to such offenses. While this is not a slight at our friends in law enforcement, it is nonetheless frustrating and harms financial institutions in their goal of ensuring the safety and soundness of their industry. In fact, one of the major changes to the new suspicious activity report was to substantially raise thresholds for reporting frauds.¹² This was done because many small dollar frauds simply cannot be handled by the government. ABA recognizes that the battle for appropriations encompasses many competing interests, but the ever-dwindling amounts given to combat fraud is disappointing. Simply stated -- our partners in the government need more tools to solve financial crimes.

¹²In addition to increasing reporting thresholds, the new SAR (which replaces the criminal referral form) will have two additional benefits -- only one (1) filing will be required by financial institutions (from the current 6) and banks will receive software so that the forms can be completed electronically. The Bank Fraud Working Group deserves credit for agreeing to this new process -- first proposed by and led by the leadership of the Federal Reserve Board.

CONCLUSION

The American Bankers Association has long advocated adherence to Know Your Customer principles as a means to deter fraud and protect the banking industry. Those concepts can work in the area of money laundering as well as for other financial crimes. We humbly recommend that our international counterparts consider the same principal because organized criminal groups can only succeed if vigilance is poor or non-existent. By working together, financial institutions and law enforcement can craft workable, flexible and reasonable regulations that will deter criminals from using our banking system to launder the process of illegal activities. This can, and does work in the United States and should be replicated abroad.

Thank you for this opportunity and I would be happy to answer any questions.

Attachment 1

1994 CHECK FRAUD SURVEY

Management Summary of Survey Results

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I. INTRODUCTION

A representative group of banks were surveyed in April 1994 to collect information on their check fraud experiences. Check fraud contributes substantially to bank losses. The check fraud problem has recently received increased attention. Regulation CC imposed tighter check deposit availability requirements than in the past. New desktop capabilities of producing counterfeit checks has exposed the industry to greater risks of check fraud and losses.

The primary objective of this study was to determine the extent of check fraud losses for 1993 and to assess the impact of regulations and other factors on such losses. In addition, the survey identified actions taken or planned by banks to reduce check fraud losses, for example, employee training and conversion to electronic payments. The survey also identified member services that banks want from ABA to assist them in controlling check fraud.

The opinions and evaluations contained in this report represent those of individual authors and are not necessarily the views of the American Bankers Association. Please contact ABA, Surveys and Statistics Division (202) 663-5176 if you have any questions or comments.

II. METHODOLOGY

A mail sample survey designed by the ABA Check Fraud Task Force collected data on check fraud. The 8-page, 41-part survey covered 5 major topics:

- Funds availability policy
- Safeguard exceptions
- Return items
- Check fraud losses
- Check fraud prevention

General information about survey participants was also requested.

A stratified random sample of 2,925 banks was selected by asset size to obtain information representative of the industry. The survey was conducted during the second and third quarters of 1994 with two mailings. Follow-up interviews were conducted when necessary. By the cutoff date, a total of 309 returns had been received, for an overall response rate of 10.6 percent.

All quantitative data were compiled by three categories of banks, based on asset size as of year-end 1993:

1. Banks with less than \$500 million in assets, herein denoted as *community banks*;
2. Banks with \$500 million to \$4.9 billion in assets, herein denoted as *mid-size banks*; and
3. Banks with \$5 billion or more in assets, herein denoted as *large banks*.

This division by size clarifies differences in the impact of fraud and in preventive methods used by banks.

NUMBER OF BANKS IN U.S. AND SURVEY PARTICIPANTS

	<i>Community Banks</i>	<i>Mid-Size Banks</i>	<i>Large Banks</i>	<i>Total</i>
Number of banks in U.S. (as of 12/31/93) *	10,335	497	122	10,954
Number of survey participants	199	77	33	309

* Source: FDIC.

Unless otherwise indicated, median values of the number and dollar amounts were used to describe typical check fraud losses experienced by community, mid-size, and large banks. For certain questions, survey data were extrapolated to the industry level to facilitate comparisons between 1992 and 1994 results. When appropriate, statistical tests were conducted to identify differences in the responses of community banks versus mid-size and large banks. Selected qualitative (written) comments were extracted and analyzed separately. A few of these comments are included in this report for illustrative purposes.

III. MANAGEMENT SUMMARY

A. GENERAL INFORMATION

Most (64.4 percent) of the 309 banks responding to this survey had assets of less than \$500 million as of year-end 1993, while 24.9 percent had assets of \$500 million to \$4.9 billion; the other 10.7 percent had \$5 billion or more in assets. Community banks reported deposits under \$500 million (97.5 percent had less than \$300 million in deposits). Mid-size banks had deposits of between \$300 million and \$5 billion (93.5 percent had \$500 million to \$5 billion). Large banks reported deposits of \$1 billion or more (typically \$5 billion to \$50 billion).

1. 1993 Check Deposits On-U.s and Non-On-U.s: Number and Dollar Value

At community banks, an annual median volume of 451,000 checks (\$168 million) per bank were deposited non-on-us (transit), with another 100,000 checks (\$36 million) deposited on-us. Among mid-size banks, an annual median volume of 8.3 million checks (\$3.4 billion) were deposited non-on-us per bank, and 3.6 million checks (\$1.7 billion) were deposited on-us. Large banks received 97.8 million transit items (\$39 billion) and 5.3 million on-us items (\$6.3 billion). As expected, transit items outnumbered on-us items by a large margin.

2. 1993 Checks Drawn Against Accounts On-U.s: Number and Dollar Value

As paying banks, 28 community banks reported a median volume of over 306,000 checks drawn against their accounts in 1993, with a median value of \$99.5 million per bank. In contrast, 23 mid-size banks reported a median volume of 7.4 million checks drawn against accounts, and a median value of \$2.7 billion. Eleven large banks had a median volume of 58.9 million checks per bank drawn against their accounts in 1993, with a median value of \$35.3 billion.

The variation in check volume and dollar value for checks deposited into accounts or drawn against accounts was substantial within individual bank size groups. For community banks, for instance,

checks deposited non-on-us ranged from 2,000 to 4.3 million. For mid-size banks, the range was from 33,000 to 184.7 million checks. For large banks, the range was from 165,000 to 553 million checks. The dollar value of these deposits for community banks ranged from \$900,000 to \$1.5 billion; for mid-size banks, from \$10 million to \$173 billion. Deposits into accounts at large banks ranged from \$17 million to \$685 billion. As could be expected, banks' exposure to check fraud increased with check transaction volume and value.

3. Deposit (Check) Processing Facility and Arrangements

Most respondents reported that they processed checks at an on-premise facility. On-premise was the arrangement for 62.1 percent of community banks, with higher proportions found for the mid-size banks (74.0 percent) and large banks (81.8 percent). Most surveyed banks used their own operations to process checks. The proportion for community banks was 54.8 percent, compared to even higher proportions for mid-size banks (67.5 percent) and large banks (75.0 percent). A holding company performed check processing for a few banks in each asset size category, including 17.6 percent of community banks, 23.4 percent of mid-size banks, and 12.5 percent of large institutions.

Community banks were more likely than larger banks to use two other check processing arrangements: a correspondent bank or a nonbank service company. More community banks used a correspondent bank to process checks (15.4 percent) than did mid-size banks (6.5 percent) or large banks (3.1 percent). Also, 20.2 percent of community banks used a nonbank service company to process checks, while only 6.5 percent of mid-size banks and 9.4 percent of large banks reported such an arrangement.

B. FUNDS AVAILABILITY POLICY

Most surveyed banks reported funds availability to customers on the next business day or immediately for local checks, whether the customer accounts were individual consumers or commercial accounts. For nonlocal checks, funds were generally available the next day or immediately, for either individual or commercial accounts.

1. Funds Availability Policy for Accounts That Do Not Qualify As Exceptions Under Regulation CC

Funds availability policies for local checks varied by bank asset size: more community banks provided next day/immediate availability than did mid-size banks or large institutions. On consumer demand accounts, 93.5 percent of community banks had a published policy of next day/immediate availability for local checks, compared to 75.0 percent of mid-size banks and 72.7 percent of large banks. For small business demand accounts, 93.4 percent of community banks had a policy of next day/immediate availability, while 77.5 percent of mid-size banks and 77.4 percent of large banks had this policy. On large corporate demand accounts, over 80 percent of all banks reported a policy of next day/immediate access, including 93.3 percent of community banks, 80.6 percent of mid-size banks, and 76.7 percent of large banks.

A similar pattern was found for funds availability policies for nonlocal checks. More community banks provided next day/immediate availability than did mid-size banks or large banks. On consumer demand accounts, 68.1 percent of community banks had a published policy of next day/immediate availability for nonlocal checks, compared to 50.7 percent of mid-size banks and 39.4 percent of large banks. For small business demand accounts, 67.0 percent of community banks had a policy of next day/immediate availability, as did 50.0 percent of mid-size banks and 51.6 percent of large banks. On large corporate demand accounts, 67.8 percent of community banks, 50.0

percent of mid-size banks, and 51.7 percent of large banks reported next day/immediate access. From 1991 to 1993, next day/immediate availability of funds at banks industrywide increased significantly. In 1993, more banks made funds available the next day/immediately for both local checks and nonlocal items on each type of account than did so in 1991. Prompt funds availability have become increasingly important to relationship management as market competition has intensified.

2. Collection Mechanisms for Transit Items

Banks collected their transit items primarily through the Federal Reserve bank or a correspondent bank. The proportion of deposits collected through the Federal Reserve bank was 49.1 percent at community banks, 56.4 percent at mid-size banks, and 40.9 percent at large banks. The Federal Reserve bank was the primary collection mechanism for banks of all sizes.

More community banks collected through a correspondent bank (46.5 percent) than did mid-size banks (18.8 percent) or large banks (28.9 percent). Conversely, more large banks collected transit items through a clearinghouse (24.4 percent) than did mid-size banks (16.7 percent) or community banks (only 2.3 percent).

3. Availability of Funds Through Banks' Check Clearing Network

Over 80.0 percent of all banks reported that funds were available to them from local checks within 1 business day, and over 95.0 percent reported funds available in 1 or 2 business days. More than 8 in 10 (83.7 percent) community banks reported that funds were available to them from local checks within 1 business day on items deposited through their check clearing network, as did 85.9 percent of mid-size banks and 93.8 percent of large banks. Most of the remainder reported access in 2 business days.

Banks did not obtain such quick access to funds from nonlocal checks. Only 42.2 percent of community banks reported that funds became available to them from nonlocal checks within 1 business day on items deposited through their check clearing network, compared to 53.2 percent of mid-size banks, and 65.7 percent of large banks. Many other banks, however, reported access in 2 business days, including 40.8 percent of community banks, 31.1 percent of mid-size banks, and 24.3 percent of large banks. Overall, almost 9 in 10 banks had access to funds from nonlocal checks in 1 or 2 business days. A large minority of banks, however, reported that it took more than 2 business days to receive available funds on nonlocal checks.

There was no significant difference between 1991 and 1993 in the speed of receiving available funds on deposited items by banks. During that same period, however, earlier access to deposited funds were widely offered to bank customers.

C. SAFEGUARD EXCEPTIONS

1. Individual Consumers

Most banks (63.2 percent of community banks, 66.2 percent of mid-size banks, and 57.6 percent of large banks) occasionally imposed a safeguard exception to hold funds deposited into new accounts beyond 2 business days for local checks and 5 business days for nonlocal checks for individual consumers. In contrast, fewer institutions imposed these exceptions routinely, with large banks employing a less stringent policy.

More than 6 in 10 banks also occasionally imposed a safeguard exception to hold funds for large deposits (aggregate over \$5,000) made by individual consumers. However, only about 8 percent to 27 percent, depending on bank size, of survey participants imposed these exceptions routinely.

Sixty-three percent of community banks, 43.7 percent of mid-size banks, and 53.1 percent of large banks occasionally imposed an exception for checks redeposited by individual consumers. About 20 percent of community banks and large banks imposed these exceptions routinely; a higher proportion of mid-size banks (about 42 percent) did so.

2. Commercial Accounts

Most banks occasionally imposed a safeguard exception to hold funds deposited into new small business accounts (56.0 percent to 73.0 percent). Approximately another 18.0 percent of small and mid-size banks did so routinely. However, about 31.0 percent of the large institutions imposed these exceptions routinely.

More banks occasionally imposed a safeguard exception to hold funds for large deposits made by small business customers, including 69.0 percent of community and mid-size banks and 58.1 percent of large banks. However, fewer banks imposed these exceptions routinely.

Similar results were found for redeposited checks for small business accounts. Over half of the banks occasionally imposed an exception, while 16.2 percent to 34.3 percent imposed these exceptions routinely.

Policies for exception holds on large corporate accounts differed only slightly. Most banks occasionally imposed a safeguard exception to hold funds deposited into new accounts for large corporate customers. Less than 2 in 10 banks did so routinely, and many never imposed safeguards on corporate accounts. Large corporations received fewer safeguard exceptions at large banks than did consumers and small businesses.

More than 6 in 10 banks occasionally imposed a safeguard exception to hold funds for large deposits made by their large corporate customers. Less than 10.0 percent imposed these exceptions routinely, and 21.2 percent to 36.7 percent never did so. Only 3.3 percent of large banks routinely imposed exceptions for large deposits.

About one in two survey participants occasionally imposed an exception for redeposited checks for large corporate accounts, and 10.7 percent to 28.0 percent, depending on bank size, imposed these exceptions routinely. A significant proportion, 18.2 percent to 42.9 percent, never imposed safeguards for redeposited checks. Mid-size banks were more likely than community banks to impose safeguards routinely, for example, on large deposits and redeposited checks.

In summary, most banks occasionally imposed a safeguard exception to hold funds deposited beyond 2 business days for local checks and 5 business days for nonlocal checks. Few routinely and some never imposed exception holds. Banks uniformly reported such a hold policy for individual consumers, small businesses, or large corporate accounts, and for transactions involving new accounts, large deposits, or redeposited checks. Overall, large corporations received fewer safeguard exceptions than consumer or small business account holders.

3. Changes in Use of Safeguard Exceptions from 1991 to 1993

From 1991 to 1993, the proportion of banks who routinely imposed safeguard exceptions on consumer, small business, and corporate accounts decreased significantly. For example, only 19.3 percent of banks applied safeguard exceptions on consumer accounts routinely in 1993, compared to 29.0 percent in 1991. Decreases ranged from 5.0 percent to 10.0 percent from 1991 to 1993.

4. Frequency of Imposing Safeguard Exceptions for Instances with Cause to Doubt Collectibility

Banks were much more likely to impose safeguards routinely when they had cause to doubt the collectibility of funds. In 1993, 41.9 percent of community banks, 56.3 percent of mid-size banks, and 48.5 percent of large banks routinely imposed a safeguard exception to hold funds deposited when collections were in doubt for individual consumers. Less than 9.0 percent never imposed such exceptions when collections were in doubt. A similar policy was reported for small business accounts.

Mid-size banks were more likely than community banks to impose safeguards routinely on individual consumers and on small business accounts. About 4 in 10 banks (37.3 percent of community banks, 46.9 percent of mid-size banks, and 37.9 percent of large banks) also routinely imposed a safeguard exception to hold funds deposited when collections were in doubt, even for large corporate customers. However, another 11.0 percent to 28.0 percent never imposed safeguard exceptions on large corporate customers, even when collectibility is in doubt.

Twenty-nine banks commented on their increased use of exceptions after the implementation of Regulation CC. Many indicated that such holds were applied on an exceptional basis, when needed and permitted. These holds were applied to returned items, large ATM deposits, new accounts, and when collectibility was in doubt. One banker stated that the holds were "virtually the only way of protecting the bank."

Between 1991 and 1993, the percentage of banks industrywide that routinely imposed safeguard exceptions on consumer and small business accounts with cause to doubt collectibility did not change significantly, although decreases of 5.0 percent to 7.0 percent were found. For large corporate accounts, the percentage decrease was significant: from 46.0 percent in 1991 to 38.0 percent in 1993.

5. Impact of Written Notification Requirements on Safeguard Exceptions

Opinion was mixed about whether banks would impose safeguard exceptions more routinely if they were not required to provide written notification on holds that meet current notification requirements. About 3 in 10 banks said that they would impose exceptions more routinely. About 4 in 10 would not impose exceptions more routinely. The rest indicated that they had no basis on which to judge. Competition greatly influenced bankers' reluctance to use safeguard exceptions.

D. RETURN ITEMS

1. Mechanisms to Process Return Items

The Federal Reserve Banks processed more than 60 percent of the return items. The use of other mechanisms varied by bank asset size. At community banks, about one-third (30.3 percent) of return items were processed by correspondent banks. Mid-size and large banks were more likely to route the return items through a clearinghouse.

2. Average Length of Entire Cycle for Returned Deposited Checks

The entire cycle of returned deposited local checks was completed in 3 days or more, according to 71.0 percent of community banks and 75.4 percent of mid-size and large banks. In contrast, the processing cycle for nonlocal checks takes longer to complete. Five or more days are required for processing nonlocal checks for most banks (69.0 percent of community banks, 56.6 percent of mid-size banks, and 60.5 percent of large banks). Indeed, 23.3 percent of community banks and 18.4 percent of large banks stated that it took 7 or more business days to complete the cycle for nonlocal checks. Industrywide, between 1991 and 1993, the length of the cycle for either local or nonlocal returned deposited checks did not change significantly.

3. Timely Notification on Large, Local Returned Checks

As banks of first deposit, about 9 in 10 banks reported receiving timely notification of large local checks exceeding \$2,500 being returned, as required by Regulation CC. However, banks were more likely to be notified promptly but with exceptions than they were to always receive prompt notice. Bank size was a factor. While 37.7 percent of community banks said that they *always* receive such notice, only 22.1 percent of mid-size banks reported service this efficient. Conversely, 54.3 percent of community banks said they were notified promptly but with exceptions, compared to 67.5 percent of mid-size banks. The experience of large banks was similar to mid-size banks.

4. Holding Funds in Accounts Pending Receipt of Returned Items

More than 8 in 10 banks indicated that they would hold the funds on their depositors' accounts while waiting for the return of the physical item(s), after notification that large items (local and nonlocal) are being returned. Depending on the situation, mid-size banks (40.3 percent) were more likely to always hold funds than community banks (20.1 percent), and 30.3 percent of large banks always hold funds.

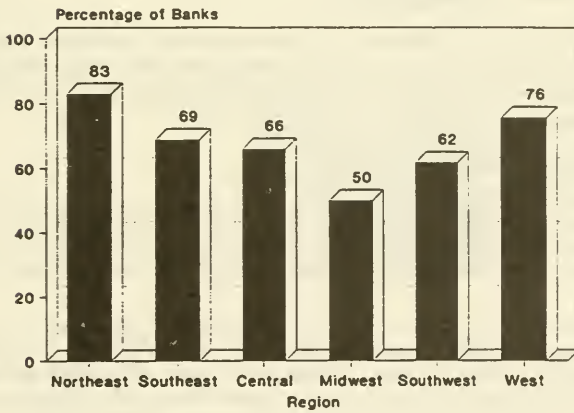
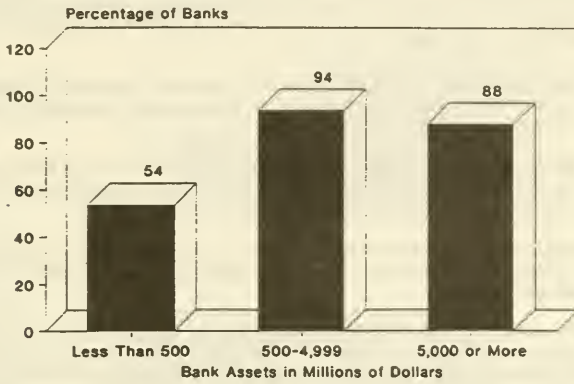
Forty-two banks provided comments on return item notification. About one in three were satisfied with the present system, but others proposed changes or made critical comments. For example, survey participants cited the need to enforce penalties for failure to notify or for delays in notification, the desirability of mandatory use of Fedline for large checks, and the benefits of lowering the \$2,500 limit. One banker observed that "fraud often [occurs] with items just below the \$2,500 limit."

E. CHECK FRAUD LOSSES

Most survey participants experienced losses attributable to check fraud in 1993. The extent of such losses increased with bank size. Data on the number and dollar amount of check fraud losses showed considerable variation from bank to bank. Community banks and mid-size banks suffered more losses as paying banks, while large banks had more losses as banks of first deposit.

1. 1993 Check Fraud Losses

Check fraud losses were reported by 54.0 percent of community banks, and even more frequently by mid-size banks (94.0 percent) and large banks (88.0 percent). By region, banks in the Northeast were hit most frequently (83.0 percent), followed by the West (76.0 percent) and the Southeast (69.0 percent).

FIGURE 1: BANKS REPORTING 1993 CHECK FRAUD LOSSES

In total, 162 of the 208 banks (77.9 percent) with check fraud losses provided data on losses. Some 130 gave data as bank of first deposit, and 120 gave data on losses as the paying bank. The losses in each category are discussed below.

Ninety-five community banks reported a median of 4 cases per bank and lost a median of \$1,728 per bank in 1993, 50 mid-size banks reported a median of 28 cases and a median loss of \$37,443 per bank. Large banks had the worst experience, with a median loss of \$387,211 reported by 17 banks for a median of 210 cases of fraud.

Seventy-three community banks had a median number of 2 fraud cases as banks of first deposit, with a median loss of \$1,000 per bank; and 64 community banks reported 4 cases of fraud as paying banks, with a median loss of \$1,466 per bank.

Forty-five of the mid-size banks reported a median of 13 fraud cases as banks of first deposit, with a median loss of \$19,500 per bank. In addition, 40 mid-size banks reported 20 cases of fraud as paying banks, with a median loss of \$14,500 per bank.

Twelve large banks incurred a median of 162 fraud cases as banks of first deposit, with a median loss of \$374,681 per bank. Also, 16 large banks reported 81 cases of fraud as paying banks, with a median loss of \$256,381 per institution.

The variation from bank to bank in check fraud losses was substantial. As banks of first deposit, community banks incurred losses ranging from \$97 to \$71,157, and from \$90 to \$138,842 as paying banks. Mid-size banks reported losses as banks of first deposit of between \$208 and \$400,000 per institution, and as paying banks of between \$820 and \$310,000. Large banks experienced check fraud losses in the millions of dollars in 1993. They indicated losses from \$1,000 to \$63.8 million per institution as banks of first deposit, and from \$11,270 to \$13.7 million as paying banks.

2. Industry Losses from Check Fraud

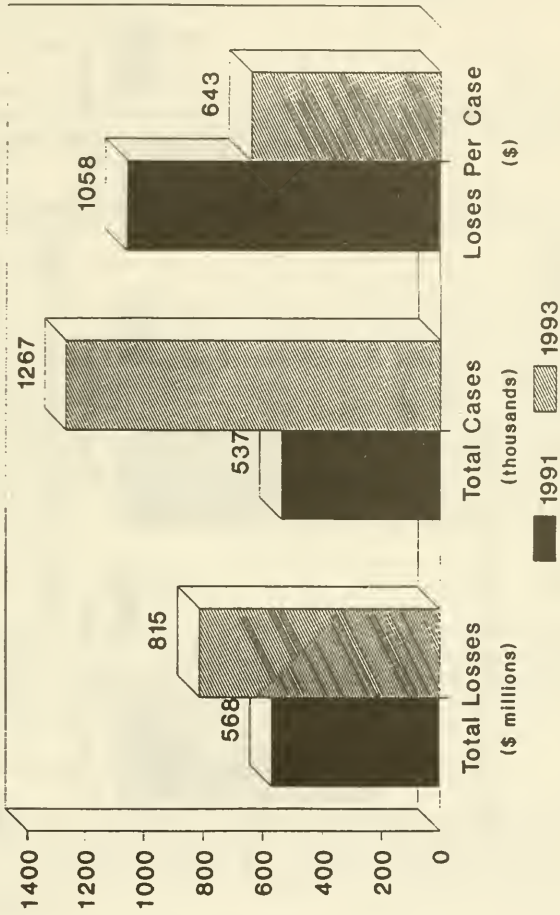
Industrywide, check fraud was estimated at 1,267,000 cases in 1993, a 135.9 percent increase when compared with 537,000 cases in 1991. Total losses from these fraud cases was \$815 million, up from \$568 million in 1991 (a 43.5 percent increase), but losses per case declined from \$1,058 in 1991 to \$643 in 1993. These results show more frequent instances of check fraud, with each instance involving less money.

3. Sources of Check Fraud Losses in 1993

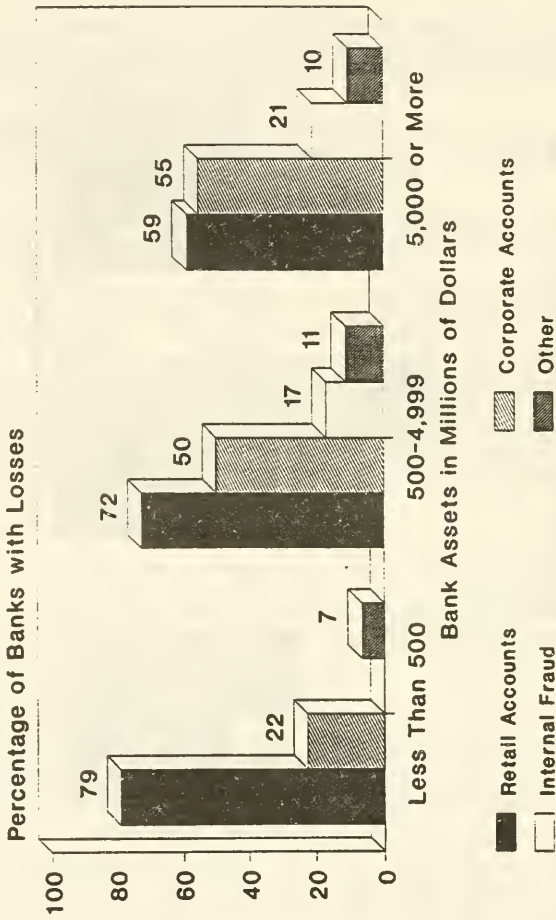
Most 1993 check fraud losses came from retail accounts or corporate accounts, as opposed to internal fraud or other sources. A total of 153 banks reported losses from retail accounts, and 76 banks reported losses from corporate accounts. In contrast, only 18 banks reported losses involving their own employees or bank-related personnel, while another 18 banks attributed losses to "other" sources.

The median dollar loss from retail accounts was \$1,674 per bank for community banks, \$30,612 for mid-size banks, and \$310,369 for large banks. The typical amount lost from corporate accounts was \$1,020 per bank for community banks, \$9,081 for mid-size banks, and \$218,800 for large banks. Although check fraud cases linked to retail accounts outnumbered those linked to corporate accounts, the dollar amount of each case was generally higher for corporate accounts (\$1,000 or more each) than for retail accounts (about \$500 each), as was expected.

FIGURE 2: CHECK FRAUD AT BANKS
Industry Estimates



**FIGURE 3: 1993 CHECK FRAUD LOSSES BY
TYPE OF ACCOUNT**



Typical losses due to internal fraud were \$2,994 per bank for mid-size banks and \$60,513 for large banks. None of the community banks reported losses due to internal fraud in 1993. Losses stemming from "other" sources ranged from \$3,506 per bank for community banks to \$930,416 for large banks. Mid-size banks reported a typical loss of \$31,750 per institution.

4. Losses from Government Checks

Most banks did not report check fraud losses from government checks in 1993. Of the 208 banks with check fraud losses, only 54 banks reported any losses from U.S. Treasury checks (26.0 percent), and even fewer reported any losses from state government checks (32 banks, or 15.4 percent) or local government checks (14 banks, or 6.7 percent).

Losses due to government checks amounted to a median of 15 percent to 20 percent of fraud losses for community banks, and 2 percent to 6 percent for mid-size and large banks.

5. Types of Check Fraud

Check fraud can be perpetrated with forged signatures, forged endorsements, check kiting, or counterfeit checks. A paying bank and a bank of first deposit face different risk exposures. Few survey participants were able to provide detailed information about the source of their losses for 1993, such as losses on-us/non-on-us, kiting versus counterfeiting. These banks were asked about their ability to provide detailed check fraud information in the future. Most said they were not sure if they would be able to provide better information, or would not be able to do so. Less than 35 percent indicated that they would be able to provide detailed check fraud information in the future. More community banks are expected to be able to provide information (38.1 percent) than large banks (15.8 percent). Tracking check fraud by the perpetration method would help banks identify weaknesses in their check processing procedures and would thus assist in the development and implementation of effective fraud control mechanisms.

6. Organized and Professional Fraud

Organized and professional fraud continued to be major concerns for mid-size and large institutions. Much more organized fraud was cited by large banks (79.2 percent) and mid-size banks (48.4 percent) than by community banks (7.6 percent). Large banks also attributed a much higher percentage (50.0 percent) of check fraud losses to organized or professional efforts than did community banks (25.0 percent) or mid-size banks (17.0 percent).

7. Losses from Certified Checks, Cashier's Checks, and Teller Checks

Few banks reported losses from returned certified checks, cashier's checks, or teller checks for which funds must be made available the next day following deposit under Official Check Availability Requirements. More than 95 percent reported no check fraud losses under these categories. The differences in the reported rates of loss for community banks, mid-size banks, or large banks were not statistically significant.

8. Fraudulent Checks in Various Account Age Categories

On retail accounts, many banks reported that fraudulent checks were deposited in relatively "new accounts." Indeed, 16.5 percent to 41.9 percent of fraudulent checks, depending on bank size, were deposited in accounts open less than 30 days.

However, over one-third of fraudulent checks on retail accounts were deposited in accounts open for more than 1 year. Differences between community banks and mid-size or large banks were not statistically significant.

Similar results were found for corporate accounts. While 11.3 percent to 36.4 percent of fraudulent checks involved corporate accounts open less than 30 days, another 40.2 percent to 64.6 percent involved corporate accounts open more than 1 year.

In 1993, higher proportions of fraud were linked to banks' established accounts (retail accounts, 43.9 percent; corporate accounts, 40.2 percent) than in 1991.

9. Did Regulation CC Increase Exposure to Check Fraud Loss?

Opinions were mixed about whether exposure to check fraud losses increased due to the implementation of Regulation CC. More of the mid-size and large banks saw problems with Regulation CC than community banks. While 67.6 percent of mid-size banks and 54.5 percent of large banks said that they faced significantly or somewhat more exposure to losses because of Regulation CC, only 28.1 percent of community banks reported more exposure to losses. Instead, more community banks reported either no change (40.7 percent) or no basis on which to judge (31.2 percent). One of the concerns voiced by survey participants related to notification of problems and returned items. The conflict was evident from written comments. Bankers said that they needed to be notified sooner and that there were problems with banks that did not notify. Others commented that they received an item before notification or on the same day. The need for ABA to communicate with regulators about these problems was apparent. Some of the proposed improvements included better enforcement of notification standards and longer hold times.

10. Expected Fraud Loss Exposure in the Future

Opinions were also mixed about whether future check fraud losses would increase, decrease, or stay the same. This question was posed with respect to three categories: (1) counterfeits, (2) organized attempts, and (3) other conditions.

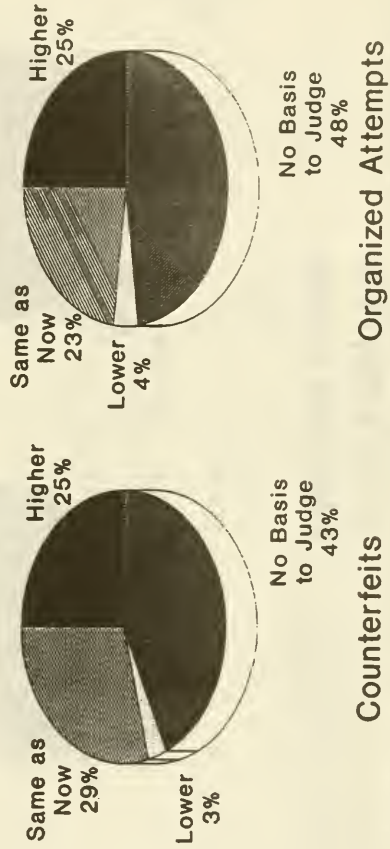
Many banks think exposure to counterfeits will increase in the next 12 months, and they expect an increase due to organized attempts. Fewer banks expect losses to increase because of "other" conditions. Large banks in particular foresee an increase in exposure to counterfeits and organized attempts. For instance, 73.0 percent of large banks and only 25.0 percent of community banks expect an increase in exposure to counterfeits. Similar expectations were found for organized attempts.

F. FRAUD INSURANCE AND OTHER PRECAUTIONS

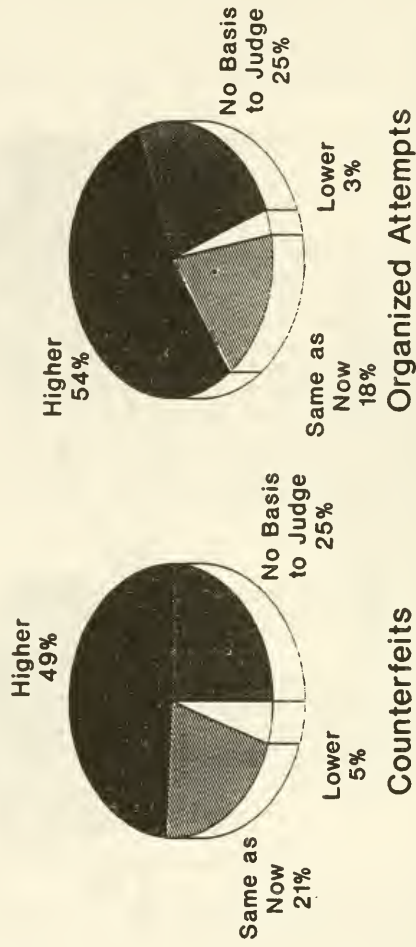
1. Insurance Coverage Against Fraudulent Checks Deposited

Community banks (73.8 percent) were more likely to carry insurance coverage against losses from fraudulent checks deposited (74 percent) than mid-size banks (62.7 percent) or large banks (51.9 percent). The difference between community banks and large banks was statistically significant. The risk potential for check fraud was heavily concentrated at mid-size and large banks, where insurance coverage and fraud prevention must be balanced to be cost effective. Most institutions included the coverage against fraudulent checks under a Financial Institution Bond (FIB), carried either by the bank or the holding company.

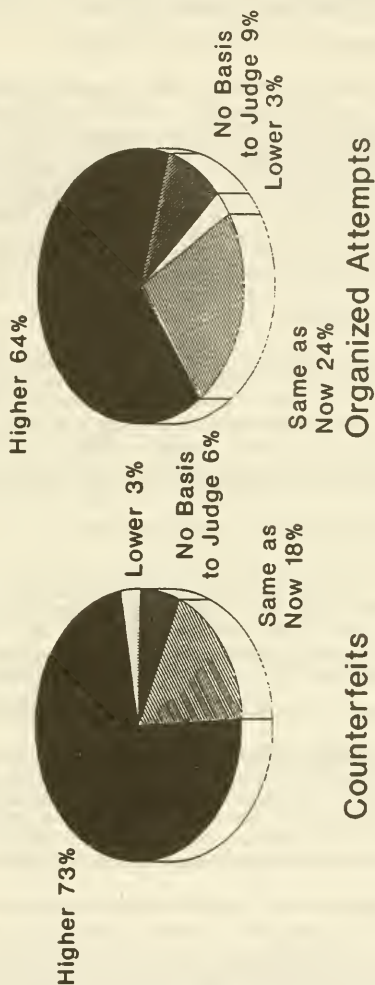
**FIGURE 4: EXPECTED FRAUD LOSS EXPOSURE
IN 12 MONTHS**
Community Banks



**FIGURE 5: EXPECTED FRAUD LOSS EXPOSURE
IN 12 MONTHS
Mid-Size Banks**



**FIGURE 6: EXPECTED FRAUD LOSS EXPOSURE
IN 12 MONTHS
Large Banks**



Survey results suggested that banks ultimately bore the losses from check fraud. In most cases, loss totals were less than insurance deductible amounts.

2. Bank Functional Areas Addressing Check Fraud

Most banks have already allocated resources to internal functions in an attempt to reduce check fraud. Resources were allocated primarily to operations, followed by audit/investigation functions, systems, and, to a lesser extent, product management. Large banks were much more likely to provide funding to internal functions for check fraud prevention than community banks. For example, 75.8 percent of large banks allocated resources to operations, compared with half the proportion (39.7 percent) of community banks. Audit/investigation efforts to control check fraud were supported by 69.7 percent of large banks versus 23.6 percent of community banks. Many community banks indicated that the most effective method of fraud control was customer recognition. The relative few fraud cases reported by community banks suggest that adequate attention and resources had been devoted to the check fraud issue at these banks.

3. Positive Pay Service

Most mid-size and community banks had not adopted a positive pay service for their corporate customers. Among mid-size banks, 83.1 percent were not actively marketing this service and had no plans to do so in the next 12 months. Among community banks, 96.0 percent did not market a positive pay service nor planned to do so. Large banks were the exception. More than half (54.5 percent) of large banks already marketed a positive pay service. At these banks, an appreciable proportion (30.3 percent) of corporate customers migrated from standard disbursement-reconciliation service to a positive pay service in the past 12 months.

4. Methods Used to Educate Bank Customers

Banks employed various methods to educate their corporate customers about their responsibilities for preventing check fraud. Statement stuffers were the primary medium of education, regardless of bank size. Community banks were most active; almost two in three (65.3 percent) used statement stuffers, as did one in two mid-size banks (53.6 percent) and large banks (54.2 percent). Mid-size (35.7 percent) and large (41.7 percent) banks also used seminars or workshops. Fewer banks used bulletins, newsletters, or other media to communicate with their corporate customers on check fraud issues.

5. Do Corporate Customers Understand Their Responsibilities for Preventing Check Fraud?

The need for customer education became obvious because only about half of the banks believed that their corporate customers understood some or all of their responsibilities for the prevention of check fraud. Less than 1 in 5 banks believed that corporations had a thorough understanding of their responsibilities. Indeed, many banks asserted that corporations were either unaware of these responsibilities or in denial, i.e., they did not believe that they had any responsibilities to prevent check fraud. This pessimistic assessment was given by banks of all sizes.

6. Amounts Devoted to Check Fraud Prevention, Detection, Investigation, and Prosecution in 1993

The amount of money that banks devoted to combat check fraud in 1993 varied as a direct function of bank asset size. Community banks typically spent less than \$10,000 and mid-size banks between \$10,000 and \$250,000 for check fraud prevention, detection, investigation, and prosecution.

The majority of large banks surveyed (57.2 percent) devoted under \$250,000 to the check fraud issue. About 1 in 10 (14.3 percent) spent between \$250,000 and \$1 million, and a large proportion (28.6 percent) spent more than \$1 million in 1993 on check fraud and related expenses (not including actual losses).

7. Tracking the Results of Check Fraud Prevention

Most banks did not measure their check fraud prevention results, although this differs by bank size. Thus, 85.6 percent of community banks and 80.3 percent of mid-size banks do not track these results, nor did they plan to do so in the next 12 months. In contrast, over half of the large banks (54.6 percent) currently tracked or planned to track their check fraud prevention results.

The benefits of tracking were amply demonstrated by the data furnished by a small group of survey participants. Nine large banks identified a median number, 155 cases, of check fraud attempts in 1993 where no loss was sustained, but with a potential median loss of \$1,162,461. The attempts reported by large banks had a range of potential losses from \$68,000 to \$6,340,000 per bank. Sixteen community banks found a median of 8 cases of potential fraud, which could have cost \$2,350 per bank. Eight mid-size banks tracked their prevention results and identified a median of 34 cases of potential check fraud, with a potential cost to each bank of \$56,500.

8. Approaches Taken to Prevent Check Fraud Losses

Banks took many actions to prevent check fraud loss. Action cited most frequently was employee training for front-line personnel, managers, and/or backroom personnel. Other popular initiatives included account screening, signature verification, and deposit review. Many banks verified questionable or irregular items such as signatures and check stock, or phoned customers to verify large dollar amounts. Fewer banks converted to electronic payments, such as debit cards, or used applications software to control check fraud. Even fewer considered Electronic Check Presentment or image processing as a means of preventing check fraud.

Only a small proportion of survey participants required corporate customers to use positive pay service or non-laser-printed checks, or specified check stock security features for their corporate customers. Large banks were more likely than smaller banks to take these steps.

Indeed, large banks and mid-size banks implemented several approaches to reduce their exposure to losses. For example, most banks conducted employee training, or used software applications, verification/callbacks, and Electronic Check Presentment to control fraud. Their efforts paid off, according to the banks that monitored fraud prevention outcomes.

9. What Actions Are Most Important in Addressing the Issue of Check Fraud?

Bankers agreed that employee training was by far the most important aspect in addressing the check fraud issue. Bankers cited next in importance customer education about bank fraud, and communicating with regulators about check fraud problems/availability schedules. They ranked next a check fraud prevention procedure manual, followed by communication with peers regarding check fraud in seminars/workshops/conferences. Finally, bankers cited audits, standardized procedures to track and monitor check fraud losses, and the confidential exchange and compilation of loss data. Survey participants ranked conversion to Electronic Check Presentment low in priority.

G. ABA ASSISTANCE

Communication with regulators is the most valuable service ABA can provide to banks as they cope with check fraud problems and availability schedules. This assistance appealed to 54.0 percent of community banks, 64.9 percent of mid-size banks, and 85.0 percent of large banks. This difference was statistically significant because larger banks want this assistance more than community banks. A check fraud prevention procedure manual was requested by over half of all banks.

Community banks (42.0 percent) needed seminars/workshops/conferences significantly less than did mid-size banks (64.9 percent) and large banks (60.0 percent). Community banks and mid-size/large banks differed significantly on two other services. Fewer community banks wanted ABA to provide confidential exchange and compilation of loss data (32.0 percent) than did mid-size banks (62.2 percent) and large banks (60.0 percent). Also, only 32.0 percent of community banks wanted ABA to establish standardized procedures to track and monitor losses, compared to 56.8 percent of mid-size banks and 65.0 percent of large banks.

Community banks wanted ABA to help with employee training (52.0 percent). However, this service appealed to only 37.8 percent of mid-size banks and 30.0 percent of large banks, where such training might already be in place.

About 4 out of 10 banks of all sizes requested assistance in educating bank customers. More large banks (30.0 percent) wanted ABA to help with conversion to Electronic Check Presentment than did community banks (6.0 percent).

Few banks requested help from ABA with audits: only 6.0 percent of community banks, 16.2 percent of mid-size banks, and 15.0 percent of large banks.

Survey participants were asked to describe the actions they have taken and the solutions they have found for check fraud prevention. Almost 90 comments discussed methods used to avoid or reduce loss:

- (1) Initial and periodic/continuous training to increase "teller awareness;"
- (2) A multi-tier system of check review processing, such as different processes for different amounts;
- (3) Signature verification by methods from signature files to fax/on-line verification;
- (4) Conservative procedures for opening new accounts, for example, requiring references and/or valid state IDs, conducting credit bureau checks, sending letters to verify addresses, using the CHEX and NCPS systems; and
- (5) Plans to start/promote debit card programs, applications software, and kiting reports.

Twenty-seven banks also made general comments on controlling check fraud. Suggestions included a method to control unauthorized paper drafts and ATM fraud, new regulations on check printing vendors and the hardware/software used to print laser checks, extending the hold time on local checks, and methods to control new account fraud. Two banks requested a uniform statistical reporting system. Others commented that they do not keep records on the items in the survey. Several banks stressed the importance of vigorous prosecution, but the problem of collecting restitution was also cited. One banker indicated the benefit of training front-line people as the "best preventive measure."

IV. RECOMMENDATIONS

The following recommendations are provided for consideration:

1. Distribute information to all ABA members on the positive actions taken by banks to reduce check fraud.
2. Communicate with regulators about check fraud problems identified by survey participants. Provide the member services most requested, for example, a check fraud prevention procedure manual.
3. Target the services to banks by asset size where differences exist, for example, employee training for community banks, seminars/workshops/conferences for mid-size and large banks.
4. Promote standardized check fraud tracking procedures. Establish a database to monitor losses from check fraud and compare these losses to insurance coverage and recoveries and to total check volume. This service appealed in particular to mid-size and large banks.
5. For future surveys on check fraud, design a simpler form for community banks to complete because many community banks do not keep the detailed data sought, nor do they expect to be able to provide detailed information in the future.

Attachment 2

1995 BANK CARD INDUSTRY SURVEY REPORT

CARD INDUSTRY PROFILE (continued)

ITEMS	1992	1993	1994	1995-1st Qtr.	1995-2nd Qtr.
9 Net charge-offs (credit and fraud combined):					
Dollar amount (\$ millions)	\$ 8,459	\$ 8,060	\$ 7,769	\$ 2,292	\$ 2,602
Growth rate	8.78%	-4.72%	-3.61%		
As percentage of average outstandings (Based on \$)	5.05%	4.31%	3.49%	3.67%*	3.97%*
10 Gross credit charge-offs:					
Number of accounts (\$ thousands)	3,737	3,585	3,246	945	995
Growth rate	0.67%	-4.07%	-9.46%		
Dollar amount (\$ millions)	\$ 8,845	\$ 8,553	\$ 8,270	\$ 2,373	\$ 2,769
Growth rate	9.59%	-3.30%	-3.31		
As percentage of average outstandings (Based on \$)	5.28%	4.57%	3.71%	3.80%*	4.23%*
11 Gross fraud charge-offs:					
Number of accounts (\$ thousands)	510	505	585	191	204
Growth rate	-2.11%	-0.98%	15.85%		
Dollar amount (\$ millions)	\$ 572	\$ 598	\$ 712	\$ 203	\$ 230
Growth rate	14.17%	4.71%	19.06%		
As percentage of average outstandings (Based on \$)	0.34%	0.34%	0.32%	0.33%*	0.35%*
12 Gross recoveries (credit and fraud combined) (\$ millions) ...					
Growth rate	\$ 958	\$ 1,091	\$ 1,213	\$ 284	\$ 397
Percentage of average outstandings (Based on \$)	20.31%	13.89%	11.18%	0.45%*	0.61%*

* Annualized

TABLE 61: SECURITY PROCESSING ACTIVITIES

	Card Outstandings in \$ Millions		
	Less than \$50	\$50—\$749	\$750 and over
	Average per Bank	Average per Bank	Average per Bank
Percent of security processing activities performed in-house	58%	87%	94%
Percent of security processing activities outsourced	42	13	6

TABLE 62: FRAUD/SECURITY FUNCTION PRODUCTIVITY DATA

	Card Outstandings in \$ Millions		
	Less than \$50 Average per Bank	\$50-\$749 Average per Bank	\$750 and over Average per Bank
Number of FTEs performing security activities	0.8	4.8	129.2
Number of investigators	0.3	1.9	21.3
Cardholder fraud cases per security FTE	18	135	121
Active accounts per fraud/security FTE	5,113	37,867	27,527

TABLE 63: FRAUD/SECURITY FUNCTION OPERATING COST DATA

	Card Outstandings in \$ Millions		
	Less than \$50 Average per Bank	\$50-\$749 Average per Bank	\$750 and over Average per Bank
Annual security operating costs per bank	\$ 14,065	\$ 390,696	\$ 9,571,573
Operating cost per dollar of cardholder fraud loss	0.94	0.64	0.54
Operating costs per active account	3.44	2.15	2.69

ABA BANK SECURITY & *Fraud Prevention*

EXECUTIVE SUMMARY

New SAR Released

Federal regulators have finalized the new Suspicious Activity Report, which will replace the old Criminal Referral Form system.

Banks only have to file the new form with one agency — Treasury's Financial Crimes Enforcement Network (FinCEN). Supporting documentation is retained by the bank and must be kept only five years instead of 10. Thresholds for mandatory reporting have been increased.

The rule that implements the new form is effective April 1. Regulators will send banks software to put the new system in place.

Watch Out for These Scams

♦ Federal regulators have learned of a scheme whereby banks are receiving fraudulent certified banker's checks and notes and controller's warrants of up to a million dollars. The checks are supposedly payable at United States Post Offices, the

Treasury Department and the Office of the Comptroller of the Currency. A few banks have suffered substantial losses.

♦ The Securities and Exchange Commission has put out the word on an investment scam that has cost some insurance companies millions of dollars. The elaborate scheme was started by several fraudulent brokerage companies which claim to be able to buy and sell Treasury bills to generate profits far in excess of interest rates. The companies then misappropriate the funds in several ways including check kiting. Regulators are concerned that the banking industry may be the next target.

Travel Rule Update

Comptroller of the Currency Eugene Ludwig has informed banks that they do not have to comply with the April 1 effective date for the new funds transfer travel rule until changes in the Fedwire are completed.

Temporary Rule on CTR Exemptions

FinCEN announced at a recent meeting that it will publish a temporary rule that will allow banks to exempt close to three million CTRs from being reported to the IRS. The agency also said it will propose a rule to exempt another six million.

Debit Card Study

Events over the last several years have alerted banks to the threat of massive debit card counterfeit fraud.

Recognizing the seriousness of this exposure, executives of leading regional networks asked the consulting firm Card Alert Services, Inc. (CAS) to perform a nationwide study of the problem. This study defines and quantifies the problem and recommends an appropriate course of action. CAS completed the study in early 1995 and published a report entitled "Debit Card Fraud: A National Perspective." ABA has published a form of that report.

ABA BANK SECURITY

Fraud Prevention



January 1996
Volume 3/Issue 1

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New Suspicious Activity Report Streamlines Reporting System

Federal regulators finalized and released the long-awaited new Suspicious Activity Report in February.

The SAR replaces the filing of Criminal Referral Forms and streamlines the reporting system. The rule that implements the new form is effective April 1, and all banks will receive software to prepare SARs on computer and file them by magnetic media.

The new system combines FinCEN's suspicious activity reporting with other agencies' criminal referral processes. Previously banks could submit Currency Transaction Reports along with CRFs.

Banks only have to file SARs with FinCEN instead of multiple agencies. All supporting documentation is retained by the institution

Continued on page 5

Timely Workshop:

How to Complete New Suspicious Activity Report

In three different cities, ABA will conduct a four-hour workshop which will take you step-by-step through the new Suspicious Activity Report, tell you what new crimes are now covered, as well as who must report them and when!

Banks are still required to file reports of known or suspected criminal and suspicious activities to the government.

The new reporting mechanism will be a Suspicious Activity Report (SAR) which replaces the filing of Criminal Referral Forms (CRFs).

The rule goes into effect April 1, 1996 and all banks will receive software in order to prepare an SAR on a computer and file it by magnetic media.

This new system simply requires one filing with

Continued on page 11

Building an Effective Debit Card Risk Management Program

by Douglas D. Anderson, chairman, and Richard H. Urban,
president of Card Alert Services

Editor's Note:

Over the past several years, events awakened the banking industry to the threat of massive debit card counterfeit fraud. Recognizing the seriousness of this exposure, executives of leading regional networks (Cash Station, CU CO-OP, HONOR, MAC, MOST, NYCE, PULSE, STAR, and TYME) asked Card Alert Services, Inc. (CAS) in late 1994 to perform a nationwide study of the problem. This study would define and quantify the problem, gather the insights of bankers around the country, and recommend an appropriate course of action. CAS completed this study in early 1995 and published a report entitled "Debit Card Fraud: A National Perspective." ABA has published a condensed form of that report in its Retail Delivery Strategies publication. The following article contains some of the information and recommendations made in chapter four, which covers how to create an effective debit card risk management program.

'ATMs are dead'

This highly sensational but misguided statement was made in November 1993 by a disguised personal computer desperado before the cameras of an *American Journal* video report.

The setting was an international hackers' symposium in Amsterdam where among the lessons PC aficionados were taught was how to defraud automated teller machines (ATMs) via electronic intrusion and intervention.

The statement was made six months after the highly publicized Buckland Hills, Conn., caper in which two criminals defrauded hundreds of bank customers using a fake ATM.

The symposium took place around the time that "shoulder-surfing" was beginning to take off (see the October and

November 1994 issues of *Bank Security and Fraud Prevention*).

Because of these and other events, bankers were becoming increasingly aware of the risk the industry faces.

They also showed the industry that while its personal identification number/data encryption standard (PIN/DES) has constituted a strong first line of defense, it has some limits.

A recent scam against MCI proved further that more sophisticated fraudulent methods, including insider help, can be employed to commit major crimes against corporations.

In that case, a PC hacker from Majorca, Spain, along with an MCI insider in North Carolina, obtained in a few weeks 160,000 calling card numbers and personal identification numbers (PINs).

The cards were then "trafficked" on the street,

resulting in estimated losses to MCI, AT&T, and Sprint of \$150 million. It is possible that such a major scam can happen in the banking industry.

To guard against this possibility, bankers and the banking industry in general need to take a cohesive approach that includes action by both individual banks and by the industry in general.

The debit card problem

Most U.S. banks define debit card fraud in terms of traditional fraud — lost or stolen cards and fraud perpetrated by families, friends and neighbors.

The evolution of debit card counterfeiting over the past two years, however, has transformed debit card fraud from a low-level "nuisance" cost of doing business to a potentially serious industry problem, with significant consequences in store for the coming years.

The problem includes on-line fraud, the misuse of automated teller machine cards (ATMs) or Visa/MasterCard debit cards with PINs to obtain cash at ATM and point-of-sale (POS) cash-back locations and off-line fraud.

The latter refers to fraudulent purchases with Visa/MasterCard debit cards at locations not able to facilitate PIN identification.

Cardholders now can use debit cards in millions of merchant locations worldwide where no capability exists to

ABA BANK SECURITY & FRAUD PREVENTION

identify the cardholder electronically and where, in many cases, transactions are not authorized.

While many of these point-of-sale terminals are technically "on-line" to an authorization system, no merchants except those offering cash back on a debit card, ask for and validate customers' PINs.

So far, counterfeit debit card fraud activity has been isolated to certain geographic markets.

However, these first stage counterfeit schemes will likely spread to other geographic markets.

Almost all counterfeit activity encountered to date has been relatively "low tech" in nature, also.

But as more and more fraud management defenses such as truncation (eliminating a portion of the card number on customer receipts) are constructed, the criminals perpetrating counterfeit fraud

will be forced to move up the technology curve to obtain the necessary information for counterfeiting cards.

The result will be more sophisticated fraud schemes and a much higher exposure for the financial services industry.

Developing risk management programs

To address this growing risk effectively, industry action in two areas is needed.

First, individual banks need to take specific actions to shore up traditional defenses against fraud.

Second, the industry as a whole needs to take initial steps to build a common defense against counterfeit fraud.

In the February issue of *ABA Bank Security & Fraud Prevention* the authors will describe several ways in which debit card security is being compromised in banks and at POS locations.

And, they will recommend a number of safeguards that banks can install to reduce their exposure to losses from debit card fraud and counterfeiting.

Editor's Postscript

The industry has taken a significant step forward toward building a common defense against counterfeit fraud. Through Card Alert Services, Inc., an early detection and control service has been developed and is scheduled to be implemented by early second quarter, 1996.

At the time of this writing, more than 40 major banks throughout the country, with approximately 60 million cards outstanding (40% of the total U.S. debit card base) have committed to participate. To learn more about this project, contact Card Alert Services at (709) 486-1122. ☉

Ones That Get Away

You don't want these fish to bite.

The Oregon Bankers Association observed recently that numerous financial institutions in the past year have found evidence of people using hooks and fishing line to attempt to lift bags placed in night-deposit boxes.

Contact your bank's service representative to see if your night deposit can withstand fishing.

If it can't, ask about devices that can be added, says Doug Kidder of the OBA. (reprinted with permission of ABA BankersNews)



We want to hear from you. . .

Got an idea for a news story or article?

Call or e-mail your editor.

Hunter Moss
(202) 663-5071
INTERNET:
hmoss@aba.com

ATM Security Banker Resource Kit



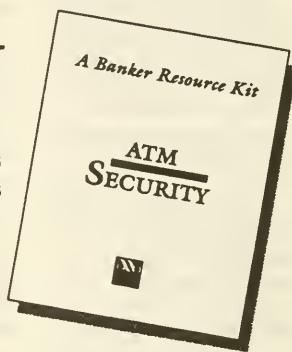
Protect your ATM customers ...as you protect your bank!

The increase in ATM crime continues to threaten your customers' safety...and your bank's security.

But you can fight back with the useful set of tools included in this new Banker Resource Kit from ABA's Center for Banking Information (CBI).

You'll get

- ❖ Articles on ATM security from recent periodicals gathered from CBI's exhaustive database
- ❖ A list of Customer Safety Tips to distribute to your customers or present to community groups
- ❖ Suggested guidelines for ATM security
- ❖ A review of existing case law and current legislation from ABA's legal staff
- ❖ A sample public relations packet to help you respond to media inquiries about your ATM safety program
- ❖ Information on ATM networks and on programs conducted by various state bankers associations
- ❖ Information on related ABA products and programs You can get this versatile, cost effective, and immediately useful information only from ABA.



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For more information or to order: Call ABA toll free at 1-800-338-0626, ext. 5384 or (202) 663-5384.

Internet address: hmos@ABA.com

ABA BANK SECURITY & FRAUD PREVENTION

"SAR" from page 1
instead of filing all documents with the entities that will receive the SAR. The final rule also reduces the time banks must keep SAR information to five years from the previously required 10 years.

Increased threshold

A major change in filing requirements is the increased threshold for mandatory reporting. They now are as follows:

- ◆ \$5,000 for violations where a suspect can be identified.
- ◆ \$25,000 for violations without a suspect.
- ◆ \$5,000 for suspected money laundering and Bank Secrecy Act violations.

Banks still must file SARs for any suspected insider abuse.

Look for John Byrne's column in the next issue for more information and analysis. ●

Fraudulent Certified Bankers Checks Have Caused Major Losses

Federal banking regulators have been alerted that banks are receiving fraudulent certified banker's checks and notes, and controller's warrants supposedly payable at United States Post Offices, the Treasury Department and the Office of the Comptroller of the Currency (OCC).

The checks are without financial value. In many cases the checks are written for hundreds of thousands of dollars and in several reported cases, millions of dollars.

A few banks have suffered substantial losses by accepting the instruments.

From the bankers perspective

Daniel P. Stipano, director of Enforcement & Compliance, OCC offers this advice:

Who within a bank should be looking for these checks?

Anyone dealing with certified checks and notes or controller's warrants, including tellers and payments processing personnel.

What can bank employees do if they see such checks?

- ◆ Contact local law enforcement such as local police or the regional FBI office.
- ◆ Contact federal law enforcement officials.
- ◆ File a Criminal Referral Form or the new Suspicious Activity Report when it becomes available.
- ◆ Send a fax to OCC office at (202) 874-5301. ●

Alert:

Banks Next Targets of Investment Scam?

The Securities and Exchange Commission recently alerted the banking industry of a scam now affecting the insurance industry that has the potential to spread to banking.

Fake Treasury bill transactions

In several cases now being pursued by law enforcement, brokerage companies bilked investors out of tens of millions of dollars by claiming they could buy and sell Treasury bills in such a

way as to generate profits far in excess of interest rates.

To lull investors into believing the investments were safe, the brokerage companies used false confirmations and communications from stock brokers.

The money received for the fraudulent investments was then misappropriated in a number of ways including check kiting pay-offs and real estate purchases.

The scheme is fairly elaborate so tracking it down has taken several years.

Money moved to foreign accounts

In the mean time, even though the SEC has begun prosecution of suspects (SEC v. Robert C. Wilson, Gary F. Long, Samuel L. Boyd and Debenture Guaranty Corp., U.S.D.C., Colorado), some of the money has been moved to foreign accounts.

For further information, contact SEC's Office of Consumer Affairs (202) 942-7040. ●

Washington Report by

John J. Byrne

Snowbound — But We Can't Sleep In

Washington, D.C., has finally dug out of the worst snowstorm in years. And while we were getting all that snow, politicians, not to be outdone in the headline department, were engaged in the worst budget battle in years.

The year has gotten off to an interesting start, and we must ask ourselves — what's in store in 1996 for security officers? As always, there is plenty going on to occupy our time. However, we should prepare ourselves for change. The following is a quick update on a few items on the front burner.

BSA Advisory Group

Treasury's Bank Secrecy Act Advisory Group met Dec. 8, 1995, for the sixth time. Comptroller of the Currency Eugene Ludwig welcomed committee members with remarks on the value of the regulatory reduction being finalized by FinCEN.

Members then were briefed on a series of regulatory changes widely discussed by the industry in the past year. Several changes

will directly result in tremendous cost savings and increased efficiency for the banking industry.

Delay of funds transfer travel rule: Many banks voiced concerns about the April 1, 1996, effective date for the new funds transfer travel rule.

That rule would have required banks to incur new costs on April 1 AND additional new costs when the Fedwire changes its format (expected in 1997).

The New York Clearinghouse estimated that the costs for most banks would range from \$2 million to \$3 million to comply. FinCEN agreed that these costs are prohibitive and announced to the BSA group that banks will not have to comply with all aspects of the travel rule until the changes to Fedwire were complete. As of this writing, we are awaiting an official announcement from FinCEN on the matter.

CTR exemption policy:

In the ABA-supported 1994 Money Laundering Suppression Act, Congress required FinCEN to create a new system for exempting currency transaction reports (CTRs).

Simply put, the new system would allow an institution to cease filing CTRs on large dollar transaction filers such as major retailers.

In addition, FinCEN was to create a system by which banks could permanently exempt entities that are of no interest to law enforcement.

ABA put together a working group of bankers who met in Washington, D.C., in August to discuss various options with FinCEN.

At the BSA Advisory Group meeting, FinCEN announced it would publish a temporary rule, effective immediately, that would allow banks to exempt close to three million CTRs from being reported to the IRS.

FinCEN also said a notice of proposed rulemaking would be published that would eliminate another six million CTRs. Look for details soon on those events.

The industry is clearly getting a major reprieve from a rather burdensome reporting regulation.

The New SAR

Another change in BSA-related reporting has just been released (see related story on p. 1): the new Suspicious Activity Report.

This form, an improvement to the 10-year-old Criminal Referral Form, will allow banks to file reports on suspected violations of federal criminal law to one agency — FinCEN.

The change will save the industry at least half a million dollars, as well as improve all aspects of the reporting system.

ABA has long sought a method such as this one — as opposed to the current requirement that six different agencies receive forms.

International efforts:

In addition to our extensive domestic efforts to deter money laundering, ABA also is committed to helping the U.S. government work with foreign nations to craft anti-money laundering laws and regulations.

I have been fortunate to have had the opportunity to educate bankers in other countries on methods by which we train our

ABA BANK SECURITY & FRAUD PREVENTION

bankers to detect and report fraud and other law violations.

Most recently, ABA was asked to attend a Financial Action Task Force (FATF) forum on financial services in Paris in late January.

The forum was developed to give the international private sector a chance to share views on money laundering vulnerabilities and countermeasures.

ABA was represented by Boris Melnikoff, senior vice president, First Wachovia Corp., and chairman of ABA's Money Laundering Task Force.

He presented ABA's views on the long-standing FATF proposals and other issues. A summary of those points is in the accompanying news story on p. 9. ●

ABA Task Force Will Address Payment Risk

ABA has formed a Payments System Task Force to address all elements of payments systems and technologies, including security issues.

The task force will consist of executives of banks of all sizes.

The first meeting will be held on February 15 and 16 in Washington, D.C.

Threats from Cybercash

As part of that meeting, Treasury's Financial Crimes Enforcement Network and the U.S. Secret Service will present concerns about the security and

money laundering threats that cybercash may present to the nation.

The task force is being chaired by Murray D. Lull, president and CEO of Smith County State Bank and Trust Co., Smith Center, Kan.

Specific Recommendations

The task force's mission is to come up with specific policy recommendations following a series of meetings.

ABA will keep readers apprised of what occurs. ●

Superhighway Traffic Rules

As banks scramble to deliver the electronic services demanded by millions more customers each year, risk and security managers must be involved in the development of those products.

"It is an on-line world," said Jonathan Palmer, chief retail banking and technology executive, Barnett Banks Inc., Jacksonville, Fla.

When his bank introduced electronic banking, it recorded 200,000 transactions in 1993. Last year, the number rose to more than 50 million.

New 'hacker' risk

However, innovations such as personal-computer banking and smart cards open up whole new areas of risk from hackers, computer viruses and insider theft.

Too often, Palmer said, products are developed and marketed before bank risk managers and security professionals can look at them to avoid pitfalls.

Caterina Lauri, product line manager, Fidelity and Deposit Co. of Maryland, in Baltimore, said: "More than ever in product development, it's most important that the team comes along together, including those looking at security risks."

Factors to consider

Consider these risk-related factors in developing electronic banking products, advises Stephen Katz, chief information security officer, CitiBank, N.Y.:

- ◆ How do you verify who can use the product?

- ◆ How do you control the level and types of services available to each individual customer

- ◆ How do you ensure the privacy of the information?

- ◆ How does the customer "sign," or electronically authorize, a given transaction?

- ◆ If something unauthorized happens, how quickly can the bank become aware of that event and take steps to minimize loss?

These risk experts spoke at ABA's National Security, Audit and Risk Management Conference last month. (reprinted by permission of ABA BankersNews)

Look for timely coverage in the February issue of key security and risk issues presented at the Security Conference. ●

Debit Card Fraud Scenarios Highlight Where Banks Can Fortify Defenses

The following scenarios are composites of a number of cases that have already occurred. They are not intended to describe any specific case. They are presented to illustrate the levels of compromise, how criminals adapt their techniques, and how the risk escalates.

In these scenarios, the fraud evolves in a market where about 50 percent of the debit cards are vulnerable to *shoulder-surfing* (i.e. usable, but fraudulent cards can be produced from receipts). The terms used in describing this "evolution of a fraud" include:

- ◆ Point of compromise — the ATM or POS terminal where the access information (card number and PIN) are compromised
- ◆ Point of fraud — the ATM or POS terminal where the fraudulent card is used to withdraw cash or purchase merchandise

Level 1 compromise

An individual standing near the terminal observes the entry of a customer's PIN and recovers the discarded receipt.

The criminal uses the receipt information to encode a card and then defrauds the customer's account. The typical *point of compromise* is an ATM or POS terminal. The typical *point of fraud* is an ATM without a camera. While 50 percent of the cards are at risk, cardholders are wary of someone observing them entering their PINs and, therefore, are less

likely to discard the receipts. A typical yield to a criminal using this level would be three to seven fraudulent cards per 100 transactions; the potential — tens to hundreds of cards.

Level 2 compromise

A criminal, in a nearby parked van, uses a pair of field glasses or a video camera with a zoom lens to observe the entry of the PIN and recover a customer's discarded receipt.

The criminal uses the receipt information to encode a card and then defraud customers' accounts. Again, the typical *point of compromise* is an ATM or POS terminal, and the typical *point of fraud* is an ATM without a camera. While the same 50 percent of cards are at risk, cardholders do not realize they are being observed entering their PINs and are more likely to discard receipts. Thus, the yield goes up — to 8 to 15 fraudulent cards per 100 transactions; the potential — hundreds to thousands of cards.

Level 3 compromise

A criminal uses a video camera to observe the entry of customers' PINs and colludes with a store clerk to gain access to the store's copy of customer receipts.

The criminal uses the receipt information to encode cards and defraud the customers' accounts. The typical *point of compromise* is a POS terminal. The typical *point of fraud* is an ATM without a camera. While half of the cards are at risk, the camera

is likely in a fixed position and will not be able to "see" every PIN entry. The yield to the crook may be 16 to 35 fraudulent cards per 100; the potential — thousands to tens of thousands of cards.

Level 4 compromise

A criminal uses a video camera to observe the entry of customers' PINs, and the magnetic stripe data is skimmed from a tapped phone line or a secondary collection device. The criminal uses the skimmed information to encode cards and defraud customers' accounts.

The typical *point of compromise* is a POS terminal. The typical *point of fraud* is an ATM without a camera. While all of the cards are exposed to risk, the camera will not be able to record every PIN. The yield to the criminal may be 60 to 70 fraudulent cards per 100 transactions; the potential — tens to hundreds of thousands of cards.

Level 5 compromise

The criminal invades a terminal or system node with invasive program code (insider) or uses a fake terminal (outsider) to compromise both PIN and card information. Most likely the *points of compromise* are POS terminals, ATM or POS terminal processors, networks or switches.

The cards are 100 percent at risk and the yield is 100 percent; the potential — depending upon the *point of compromise*, millions of cards!

○

ABA



NEWS

Melnikoff Represents ABA at Foreign Conference

The chairman of ABA's Money Laundering Task Force responded to a request by foreign financial entities to comment on what the U.S. faces and what U.S. bankers are doing to combat money laundering.

Boris Melnikoff, senior vice president, First Wachovia Corp., represented ABA and the U.S. banking industry at a Financial Action Task Force forum in Paris in January.

Among issues he discussed were:

ABA's views on FATF recommendations

Many of FATF's recommendations, including passing a law to criminalize laundering, suspicious activity reporting and due diligence procedures, have been implemented in the U.S. for many years.

Melnikoff commented that ABA remains committed to a need for policies requiring non-banking entities, as well as banks, to keep records and identify certain transactions.

Need to Streamline Routine Transactions

He also pointed out that while the U.S. banking industry has an excellent record of solid account-opening procedures (as outlined in FATF recommendations 9 to 14),

which are stressed in employee training programs, it also recognizes the need to streamline and, in some cases eliminate routine transactions.

"... But the U.S. government and the Congress have already begun that process.

Therefore, while we support having several of the U.S. Bank Secrecy Act laws being placed on all financial institutions throughout the world, changes and modification to those laws are also necessary."

FATF recommendations 15 to 29, which address suspicious transaction reporting and Know Your Customer policies, are also important procedures, Melnikoff stressed.

"But we would stress that financial institutions MUST be protected from civil AND criminal liability for fulfilling their responsibilities to detect and report unusual or potentially criminal violations as well as closing accounts on individuals who have acted contrary to law and regulation."

Money Laundering Trends Changes

One of the unintended effects of renewed banker vigilance in the U.S. is that the method of laundering has shifted from traditional financial institutions to other entities.

For example, attention in the past several years has turned

to fraudulent postal money orders and letters of credit, phony import/export businesses and other methods of laundering through international trade.

These new trends can be discovered and addressed by continued private/public sector cooperation, which is occurring in the U.S., Melnikoff pointed out.

"ABA recommends that various banker training forums include these new approaches to money laundering," he said.

Emerging Technologies

With the advent of smart cards and cyberspace financial services, both the government and the banking industry must be prepared to address new money laundering issues, Melnikoff suggested.

He recommended an international FATF forum dedicated solely to this issue.

Continuing Communications

Melnikoff also suggested that the working relationship between government and the private industry in the U.S. has led to improved regulations and better understanding. He suggested an ongoing communication link between FATF and the private sector. ●

New Products

Safe personal checks

Clarke American has unveiled a new line of sophisticated checks called ImageSafe™ that offers consumers increased protection from check fraud.

The ImageSafe check enhances the security features of Clarke American's standard personal checks using an innovative design that combines protective enhancements in the paper, ink and design.

These features interact to make the check nearly impossible to counterfeit and easy to authenticate.

The ink fades or disappears when chemically washed. Colors are difficult to reproduce.

A security screen pattern distorts or disappears when copied. For information, contact Clarke American at (210) 697-1233.

Security door controls

The new 932 and 933 Entry Check Digital Keypads from Security Door Controls are designed to withstand extreme weather conditions and abuse. SDC 932 provides 50 user codes and 933 provides 100 user codes.

Features include lock output auxiliary contact for second lock output, CCTV, tamper alarm, duress and lighting; a door position with input for anti-tailgate or door hold open

alarm; a request to exit input and more.

For information, contact SDC at (818) 889-1622.

Signature verification

Spectroline® from Spectronic Corp., is a signature verification system designed to work even when a company's computer system is down.

The invisible signature system features accurate, immediate and on-the-spot signature verification at any window of any branch.

It adds a permanent invisible signature to a passbook page or identification card. A customer signs a specially coated transfer slip with an ordinary ballpoint pen.

The transferred signature becomes visible when viewed under an ultraviolet lamp. For information, contact Spectronics at (516) 333-4840.

Fraud prevention software

Task Force Software has released version 6.0 of its Social Security Number evaluation software for personal computers.

The program can instantly alert investigators to fraudulent numbers.

The new release also has Canadian Social Insurance Numbers. For information, contact Task Force Software at (800) 397-3085.

Heads up on some resources

ABA has learned of two resources of interest to security professionals.

♦ The University of Windsor, Windsor, Canada, and the University of Detroit Mercy, Detroit, Mich. have put together an international money laundering conference to address cross-border laundering issues.

The program is scheduled for May 1 to 3 and will include academics and U.S. and Canadian law enforcement officials, such as the Royal Canadian Mounted Police.

For information, contact Dolores Blonde (519) 253-4232, extension 2941.

♦ Need an expert? Here's an unusual source.

As part of a plea bargain in an ongoing investigation of bank employees, federal law enforcement agencies in the midwest have worked out a deal with a banker who embezzled half a million dollars.

The man is to make himself available to speak on how he was able to compromise his financial institution.

For information, contact ABA's John Byrne at (202) 663-5029. ○

ABA BANK SECURITY & FRAUD PREVENTION

Continued from page 1
FINCEN. You no longer have to send six copies to law enforcement and banking agencies.

Learn from experts

At the seminar, you will learn how to use this new form from banking industry experts and government agencies who have been directly involved in implementing these changes.

You will learn how to fill out the form and who to go to

when you need prompt, reliable answers.

You will get answers to all questions on how to use the new form, including:

- ◆ whether you are protected from civil liability for reporting possible violations of law;
- ◆ increased thresholds for SAR reporting
- ◆ records retention requirements

- ◆ how to use the new form on your PC.

You will be given copies of the new software which makes it a snap to fill in the new SAR forms.

Suspicious Activity Report Seminar presenters include: John Byrne, Senior Counsel, American Bankers Association, Member of the Bank Secrecy Act Advisory Board; Richard Small, Senior Counsel, Federal Reserve Board; law enforcement officials, industry bankers and other industry experts. ●

Suspicious Activity Report Seminars

Seminar Registration Fee:

\$169 ABA member; \$210 Non-member

Special Team Fee:

\$150 each (discount available when 3 or more people from the same member institution register at the same time.)

Hotel Information:

A block of rooms have been reserved for seminar attendees. If you need hotel accommodations, you can contact the following hotels, which are offering special room rates. To obtain a reduced room rate, identify yourself as an SAR Seminar participant when making the reservation.

Chicago:

Palmer House Hilton, 17 East Monroe St.
Chicago, IL 60603 (312) 726-7500.

Price: \$145 (Note: seminar will be held at First Chicago Center, First National Plaza—Plaza Level)

Philadelphia:

Doubletree Guest Suite, 4101 Island Avenue,
Philadelphia, PA 19153 (215) 365-6600.

Price: \$115

Georgia (metro Atlanta):

Sheraton Gateway Hotel, 1900 Sullivan Road,
College Park, GA 30337 (770) 997-1100.

Price: \$124

Registration Form

Yes, I want to register for the SAR Seminar in:

- ☐ Chicago, April 2, 1996, 8:30 a.m.-12:30 p.m.
☐ Philadelphia, April 9, 1996, 8:30 a.m.-12:30 p.m.
☐ Atlanta, April 11, 1996, 9:00 a.m.-12:30 p.m.

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*Ounce of Prevention***Say 'No' to Auto Theft**

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While you can't fully safeguard a vehicle against theft, you can reduce the chances of becoming a victim by using these tips from the National Insurance Crime Bureau:

- ♦ On an average, 13 percent of stolen vehicles have the keys in the car. Close car windows, lock doors and take your keys out of the ignition when you park your car.
- ♦ Tows account for 10 percent of stolen cars. Turn front wheels sharply to the right or left and apply the emergency brake when parking. This makes towing difficult.
- ♦ When parking your car, activate any anti-theft devices you may have.
- ♦ You invite theft when you leave items in view. Keep all packages and personal items out of sight.
- ♦ To reduce your chances of being a car-jacking victim, drive in the center lane when on a multi-lane highway.
- ♦ Don't park in remote areas of shopping centers, motels or lots.
- ♦ Etch your vehicle identification number in hard-to-find spots, using an engraver or dye marker.

This makes your car easier to identify.

- ♦ Hide your business card or address labels on the bottom of floor mats and under the seat, or drop them down window channels into the door interior.
- ♦ Use a business address on all luggage tags, rather than your home address, for additional privacy. ○

Please feel free to use this copy as a statement stuffer, poster or flyer to give to your customers or employees.

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Attachment 4

International fraud...

...CAN IT
AFFECT YOU?

THE INTERNATIONAL BANKING SECURITY ASSOCIATION

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INTRODUCTION

In today's highly competitive commercially-driven world, almost everyone is a potential victim of fraud: it seems to be a cost of doing business these days. Fraud has become the crime of the nineties. It can affect anyone, anytime, anywhere and it respects no boundaries as it weaves its web of deceit from one country into the next.

Expanding global financial markets offer international criminals many opportunities to work their schemes, resulting in an increased number of reported cases of fraud. To assist in the battle against it, security directors representing the major world banks and banking groups have joined forces under the auspices of the *International Banking Security Association* (IBSA). IBSA's mission is to promote the exchange of information between members and to assist one another in the prevention and detection of criminal activities against the banks.

In order to share its knowledge and expertise with other potential victims of international fraud, IBSA has produced this publication. The objective of **INTERNATIONAL FRAUD - CAN IT AFFECT YOU?** is to help reduce the incidence of fraud by thoroughly describing it, listing the measures that can be implemented to prevent it, examining popular fraud schemes, and outlining the steps that should be taken when fraud is suspected. This booklet is aimed at those who are most often victimized by fraud: consumers, company officers, investors and entrepreneurs.

The probability of eliminating *all* fraud is unrealistic - imposing the stringent rules required to do so would severely restrict customer service and impede the operational efficiency of most businesses. However, IBSA and international law enforcement agencies strongly believe that fraud can be managed. The key to its reduction is stopping fraudulent activity before it gets started.

As you read this booklet, you will note two repetitive themes - **education** and **prevention**. By knowing how to detect fraud in its early stages, it is hoped that potential victims will be able to curb this crime, protecting themselves from embarrassment and from those who would deceive them.

WHAT IS FRAUD?

The Oxford dictionary defines fraud as *criminal deception* and the *use of false representation*; it does not define fraud as a financial crime. For the purposes of **INTERNATIONAL FRAUD - CAN IT AFFECT YOU?**, fraud will be described as theft, facilitated by deceit, falsehood and/or other devious means.

[Overview]

Many companies have experienced an attempted fraud or have actually been victimized by this crime in the last few years. And, because new fraudulent schemes are continually surfacing, they are not always easy to identify. Fraud strikes in many different ways; just as quickly as one type of fraud is detected, another is introduced.

Fraud is not unique to *certain* countries; it attacks *every* nation in some fashion, although some frauds are more closely associated with specific countries. Physically or culturally remote locations, such as *emerging* or *developing* countries and third world nations, are especially appealing to criminals. Countries recognized for their lack of commitment in fighting fraud, make good targets too.

Many criminals infiltrate international companies and institutions with their schemes, crossing numerous national borders and international jurisdictions in the process. This makes it difficult for those in authority to investigate, arrest and prosecute fraudulent operators (or fraudsters, as they will also be referred to in this publication).

Fraud is frustrating for everyone involved, except the criminal.

:

[Statistics]

Each year more and more corporate profits are lost due to fraud.

Individual financial frauds can range from crimes involving a few hundred dollars to several million dollars. In some countries, the incidence of business fraud has been reported to have quadrupled in the last five years - 50 per cent of it resulting from poor internal security controls.

Although statistics vary from country to country, one recent study conducted by an international forensic accounting firm estimates that approximately 27 per cent of all fraud was committed against banks and other financial services institutions, 29 per cent against investors, 21 per cent against commercial companies, 19 per cent against governments, and four per cent occurred in *other* areas.

If a company is seen to be vulnerable, criminals are more likely to attempt to exploit it. Therefore, it is imperative for management to stay one step ahead of criminals, anticipating new types of fraud before becoming victimized.

WHO THE FRAUDSTERS ARE

Those who generally obtain material advantage by unfair and wrongful means or by falsely representing themselves are commonly known as fraudsters. There is no magic formula that can detect people who exploit others; nor can they be typically described. They are just dishonest individuals who attempt to deceive their victims - usually quite successfully.

Fraudsters are often exposed by chance, unless they leave a trail of evidence behind them - which they rarely do. One of the reasons why these criminals are difficult to apprehend is because they appear no different than honest folk. The only distinction is that they are plausible liars who often seek to exploit elements of greed found in many of their victims.

[Internal and external]

Fraud can strike a company internally or externally. International studies show that in some countries, more than half of all fraud is engineered by employees with or without the aid of outside accomplices. Thinking internal fraud is easy to conceal, employees often become involved in purchasing fraud, currency and stock theft, cheque forgeries, and false loan procurement.

Internal fraudsters are usually motivated by opportunity, basic greed, revenge, the need for quick cash to support an acquired lifestyle, or to repay gambling or drug-related debts. Once exposed, co-workers often admit that they had been suspicious of their dishonest colleague but felt unable to act for one reason or another.

It is generally believed that about half of all fraud-related offences are external - committed by professional criminals having no previous relationship with their victims. The **POPULAR FRAUD SCHEMES** section of this publication describes the more popular, contemporary, external fraud schemes.

Whether you encounter internal or external fraud, there are certain protocols that should be observed to assist authorities in arresting and convicting the criminals involved. These measures will be outlined throughout this publication.

Remember a suspect's description

If you suspect an individual is about to, or has already committed a fraud-related offence, thoroughly document the person's description and that of any accomplices. Be sure to include the following:

sex, nationality, age, height, build, complexion, hair, beard/moustache, ears, teeth, eyes, glasses, nose, mouth, hands, scars/distinguishing marks/tattoos, accent, clothing, jewellery, footwear, and the make and model of his/her vehicle.

Ensure you've listed all pertinent information as accurately as possible. Don't list features you can't recall in detail: inaccurate descriptions serve no purpose.

Once you have compiled this, and other relevant data, contact the police for sound advice on how to deal with the problems you are facing.

WHAT YOU SHOULD KNOW ABOUT FRAUD

Globalization of financial markets, coupled with increased international trade, has greatly contributed to the incidence of fraud. Because it is so prevalent, chances are you too may be presented with a suspicious business proposal at some point. What will you do?

The first step is to remain alert and report any business-related misgivings to the authorities. If you have suffered monetary loss due to fraud, quickly react to resolve the situation in order to deter further criminal activity. If your local media should learn that you've been defrauded, don't be surprised if you are asked to respond to some probing questions.

You may consider contacting your financial institution if you are unsure about the legitimacy of proposed business deals; chances are employees can recognize a potential fraud. If questioned about suspicious business transactions when doing your regular banking, don't react negatively. It's usually in your best interest if unusual proposals are thoroughly examined. Your financial institution has been exposed to many fraudulent schemes, in-depth inquiries may prevent you from entering into damaging business arrangements.

Below are some Dos and Don'ts to consider if you encounter suspicious business propositions.

The Dos

- Become knowledgeable about fraud.
- Enforce practical security precautions.
- Know your customers and their business practices.
- Always be on guard. Be somewhat suspicious of all business transactions until you are satisfied that they are legitimate.
- Ensure customers' identification documents are valid.
- Verify references and addresses when entering into new business relationships.
- Question changes or irregularities in customers' normal business patterns.
- Be sure all verbal/telephone/telex/fax instructions received are legitimate prior to completing business transactions, especially if funds are being transferred from one account to another.

- Ensure foreign payment items such as letters of credit are legitimate before acting upon them.
- Refer suspicious transactions or occurrences to senior management.
- Record important information on the back of cheques, e.g. passport numbers.
- Prepare a Fraud Awareness and Prevention Program (see **FRAUD PREVENTION PROGRAMS**).
- If a serious case of fraud has been detected and negative publicity is expected, contact your Public Relations Department to assist with damage control.

[The Don'ts]

- Don't take anything for granted.
- Don't volunteer confidential information over the telephone/telex/fax unless you know and trust those who are inquiring.
- Don't allow customers to pressure you into making impulsive decisions.
- Don't give value against uncleared payment items.
- Don't accept third-party cheques from new customers without a senior manager's authorization.
- Don't cash cheques for strangers.
- Don't transfer funds without first obtaining proper authorizations.
- Don't discuss internal operations or systems with outsiders.
- Don't write to suspicious individuals on company stationery.
- Don't be afraid to contact the police if you have suspicions about certain customers and their respective business dealings.

POPULAR FRAUD SCHEMES

Not surprisingly, fraudulent business propositions reflect prominent economic trends. For example, during the 1970s when the oil industry was booming and bullion prices were soaring, many investors were defrauded in oil lease and gold hoaxes. In the 1980s, with the real estate market peaking, criminals designed creative frauds involving this thriving business sector. With the economic instability of the 1990s, there isn't one particular recurring international fraud theme that is more popular than another. Anything goes these days.

Quite often, international fraud schemes involve one or more of the South Pacific or Caribbean island nations that are tax havens and/or have stringent secrecy laws. Therefore, law enforcement agencies caution people to exercise extra care when entering into business arrangements in all unfamiliar territories.

Although most businesses operating within these countries are upstanding and profitable, many are not. It is always important to conduct thorough background checks on companies operating in *any* country prior to signing business contracts.

To further assist you in detecting international fraud, the following more commonly practiced frauds will be described:

- prime bank notes and standby letters of credit
- Nigerian frauds
- shell banks
- money laundering
- counterfeit currency
- cheque fraud
- forgery
- counterfeiting
- credit card fraud

[Prime Bank Notes and Standby Letters of Credit]

Fraudsters often employ schemes involving Prime Bank Notes (sometimes referred to as Prime Bank Instruments and/or Prime Bank Guarantees) and Standby Letters of Credit. Although these frauds vary in complexity, they are often the most successfully executed because they appear to be legitimate.

[Introductions]

Usually, victim investors are directly approached by fraudsters - *middlemen* - who claim to represent wealthy, unnamed principals. The middlemen, on behalf of the principals, offer to sell and eventually repurchase the Prime Bank Notes and/or Standby Letters of Credit from the prospective investors. Having been promised large financial returns, these investors are usually asked to hold the instruments in trust, or to fund product purchases.

Should the investors question how they have been selected as business partners, the middlemen tell them that they are extremely respected investors, known to be capable negotiators of sophisticated transactions. Essentially, the fraudsters are hoping to appeal to the vanity and greed of their victims.

[Is this really a crime?]

So how is this fraud eventually exposed? Suspicions often arise when the fraudsters are asked for background material on the principals, including sources of their capital. The middlemen cannot produce this information, yet try to reassure investors that deals are legitimate, and that all monies involved are so-called "good clean funds".

Fraudsters believe suspicions will not arise if investors are asked to act as fiduciaries - those who hold items in trust prior to credit agreements being signed. Since investors assume that funds will be transferred without any problems, they do not feel financially threatened. Transactions seem normal. Victims believe that they will not be involved in the purchase and/or sale of these instruments, only the middlemen will.

[Detecting fraud]

At this point, the fraudsters explain that transfer delays and other complications have arisen. Victims are told that the funds no longer exist in currency; alternate forms of security are suggested - often suspect paper substitutes. Investors are next asked to advance cash against this non-existent paper security. This is when victims inadvertently enter into credit relationships with the fraudsters.

Fraudsters hope these events won't be noticed and that any credit reviews and approval processes are circumvented by the investors' anticipation of significant financial returns. Only when instruments are due and payable are the frauds detected.

Here is an example of this fraud. It may help you to recognize it if you are approached by a fraudster:

A business person is promised a Standby Letter of Credit worth US\$100 million, interest free, and discounted to 80 per cent of its face value. It is payable in 13 months, has been issued by an Asian bank, and endorsed by a U.S. bank. However, the business person is requested to provide the funds for the purchase immediately. When the deal is agreed upon, a fraudulent Standby Letter of Credit is issued on behalf of the principal. Although the transaction appears above board, it is not. It is only when the business person wishes to encash the Letter of Credit, it is realized that this is a fraudulent instrument.

[Be cautious]

Always resist promises of inordinately high returns and guarantees of endless supplies of funding. Nothing ever comes for free. Think twice when you're presented with confusing business proposals or when potential business partners supply vague answers. And should you ever be requested to provide letters printed on your company letterhead, outlining potential new business relationships, always decline.

Remember, you are the only one who can save yourself from fraud.

[The Nigerian connection]

Some countries are known to have more than their fair share of resident fraudsters. Nigeria is one of them. Law enforcement agencies worldwide are only too familiar with Nigerian fraud. There is however, very little that they can do about it, except to caution people about its prevalence and its intricacies.

Financial losses experienced as a result of Nigerian fraud schemes are estimated to be in the millions of dollars - these losses continue to mount. Most often, people initiating Nigerian frauds are cultured, polished, multilingual, and well educated. It is not unusual for these fraudsters to impersonate government officials or business persons. Unfortunately, some unscrupulous government officials and business persons are often the actual fraudsters.

Many unsuspecting people respond to Nigerian Mail Scams, sending banking and personal information to fraudsters. Some have been known to fly to Nigeria, at risk to their own lives, to execute business transactions. Still others, without thinking, even supply additional gifts or bribes that are requested by these fraudsters; such as expensive watches, additional cash payments and holiday packages. Criminals are so persistent that even when their victims have discovered they've been defrauded, the fraudsters will often maintain their innocence and seek to continue the deal.

Although Nigerian frauds appear obvious when brought to our attention, many astute business people and individuals have been deceived by Nigerian fraudsters. The best way to protect yourself against the numerous frauds associated with Nigeria, is to familiarize yourself with them before you and/or your company are victimized.

Mail and advance fee frauds

The usual tactic of nondiscriminating Nigerian fraudsters is to send letters to individuals and businesses worldwide, offering great sums of money for no particular reason - *mail frauds*. These letters ask for personal information. Invariably financial transactions are also proposed, always involving elements of illegal activity including corruption of government officials and violation of national currency controls.

Once the victims have been baited - providing information and money - they are informed that problems have arisen and that the Nigerian funds cannot be released unless the fraudster receives an *advance fee*, usually a percentage of the original pay-off or a pre-determined lump sum.

[A sample business proposal]

Here is a sample of a typical Nigerian fraud letter. Some day, you may receive similar correspondence. Don't get caught in the trap.

Strictly Confidential

Dear Sir:

After due deliberations with my colleagues, I am forwarding this business proposal to you. We need a reliable person to transfer \$38.5M into their bank account.

This fund exists as a result of an over-invoice from a government contract. The contract has been executed and the contractor has been paid. We are now left with the balance of \$38.5M that was deliberately over-estimated. As civil servants, we are forbidden to operate or own foreign accounts, therefore we would request that you transact our business, keeping 30 per cent of the total for your expenses.

I received your address from our Chamber of Commerce and Industry. And I am a top official with the Nigerian National Petroleum Corporation. This transaction is free from all risk.

To get this fund paid into your account, we need to present an international business profile to officials requesting this information. Please forward blank copies of your company's letterhead and invoices, signed and stamped on each page; your banker's full address, telephone, telex and fax numbers; bank account numbers; and private telephone/fax numbers for easy and confidential communications.

You may be required to sign a fund release in our National Bank; three officials will come to your country to arrange this.

Let honesty and trust be our watchword throughout this transaction.

Best regards,

Play it smart

A method of spotting a Mail or Advance Fee Fraud is to scrutinize any information supplied to you. Letters are generally of poor quality, although they can sometimes appear quite legitimate. They may even include official-looking government stamps and seals, and are often accompanied by authentic-looking documents.

You should be aware that Nigerian fraudsters are bold enough to send seemingly legitimate bank telexes to their victims' banks, asking for credit checks to be done, ensuring victims can guarantee required payments. Sometimes counterfeit bank drafts, drawn on the Central Bank of Nigeria, are even circulated - payable in the victims' names. There is little doubt that these fraud artists are inventive.

Banks spend a great deal of time alerting customers to confirm the legitimacy of Nigerian contracts. However, individuals' greed induces their involvement in these frauds - even when banks advise against it - often resulting in large financial losses, not to mention embarrassment.

Shell banks

Many fraudulent schemes involve *shell banks* or *brass-plate banks*. They are appropriately named because they are banks that exist in name only - without assets or internal structure - empty shells. These financial institutions are usually registered by a solicitor or accountant; office staff are listed as shareholders. Shell banks have one or more mailing addresses - usually a post office box or mail collection agency.

Legitimate or illegitimate

Some shell banks are legitimate, operating as offshore tax shelters. Many, however, whose services are frequently marketed, are fraudulent.

Legitimate shell banks are licensed, deal in foreign currency, do not accept local deposits, and do not trade locally. If operating illegally, cheques, drafts, certificates of deposits, and letters of credit are issued. Often deposits and loan business are solicited from unsuspecting individuals looking for a good deal.

Criminals invite investors to open deposit accounts which pay unusually high rates of interest. Victims are also attracted by loans with low interest rates. These unique lending opportunities often appeal to individuals who cannot qualify for loans from legitimate institutions.

Shell banks sometimes claim to be supported by one of the WORLD or PRIME BANKS; their names may be strikingly similar to genuine, international banks. This makes them difficult to detect. Many of their names include the following words: international, commercial, united, mercantile, trust, credit and merchant. Mixing and matching these words, along with the inclusion of the word *bank* and the name of a city or country, can produce a very formal sounding name, confusing even the most astute bankers.

Because licenses are relatively easy to acquire in the Caribbean or Asian Pacific island nations, customers should seriously research banks operating there. One should also be aware of the illegal shell banks that advertise unique business propositions in international newspapers - they are not worth the paper on which they are printed.

Don't become a victim

How are people defrauded by criminals operating shell banks? Victims who make deposits with shell banks simply lose their capital, those seeking loans are required to pay advance fees for loans which never materialize.

Money laundering

Money laundering is the practice of concealing illicit funds generated from illegal activities - converting criminal money into seemingly legitimate income. Fraudsters *clean* their money so it can be used legally, without leaving paper trails. They do this by processing funds through international payment systems several times, obscuring any audit trails.

International drug traffickers and organized crime groups are notoriously associated with this activity. Although there are no reliable statistics on the size of the global money laundering problem, policing agencies around the world estimate it to be in the billions of dollars.

To combat money laundering, many countries have introduced legislation which criminalizes this activity. These laws often include provisions for freezing, seizing and forfeiting the proceeds from criminal activity. Most large international financial institutions have also established anti-money laundering procedures, co-operating with law enforcement agencies in an effort to curb this criminal activity.

Always ensure you are conducting legitimate business transactions so your company does not unwittingly involve itself in money laundering schemes.

Counterfeiting

Counterfeit instruments are produced from originals, using sophisticated graphic arts cameras, scanner-equipped personal computers, plastic card reproduction, laser printers, common colour photocopiers, and conventional printing techniques. To assist you in detecting this illegal activity, three types of counterfeiting will be described here: currency, cheques and credit cards.

Technically, counterfeiting refers to the illegal process of reproducing currency. However, because it is so often associated with the illicit duplication or forgery of cheques, credit cards, securities and other payment instruments, for the purpose of this publication the word counterfeiting will refer to the process of forging any of these items.

Counterfeit currency

Counterfeiting currency or banknotes is one of the oldest forms of fraud.

With the state-of-the-art technology available today, the incidence of counterfeiting has increased dramatically. Although the size, shape and denomination of currency varies from country to country, today's reprographic equipment seems to be able to duplicate all kinds of currency.

Millions of dollars are lost annually to currency fraud. Therefore, international task forces have been struck - comprised of representatives from government treasury bureaux and technological firms - to develop systems to detect this crime. For example, with the assistance of experts, manufacturers of colour photocopiers have introduced security features which prevent currency from being reproduced. Sensors in these copiers produce blank copy when duplication of banknotes is attempted.

[Be on the lookout]

Sometimes it is extremely difficult to identify counterfeit currency. Therefore, always pay close attention when accepting banknotes - especially bills of large denominations. Unfortunately, those accepting fraudulent currency are the ones who incur monetary losses. Be aware of the latest counterfeiting schemes. Consult your local police department should you have any questions.

To be safe, if you are unsure of the authenticity of a banknote, always ask the presenter for identification, including a passport number. Be particularly vigilant when negotiating large amounts of foreign or domestic currency. If you've been unfortunate enough to have previously received counterfeit banknotes, keep a record for future reference detailing the particulars, including their origin, currency name, denomination and serial numbers.

[Cheque fraud]

Technology has dramatically changed the cheque clearing process - the system which sends cheques through the bank of a recipient - returning it to the original or drawee bank for payment.

Years ago, cheques were processed by hand. Although sorting these instruments manually was laborious, it gave those reading them more of an opportunity to detect forgeries. Now, automation allows significantly more cheques to be cleared. However, bank processing machines often cannot detect fraudulent cheques, resulting in hundreds of millions of dollars being lost annually to cheque fraud.

[Stolen and forged]

Often fraudsters steal personal or company cheques payable to legitimate individuals. Endorsement signatures are forged and cash is deposited into the fraudsters' accounts. Cheque fraud is also committed when authentic blank cheques are stolen and completed, naming legitimate or fabricated payees. Criminals forge the endorsements and cash these cheques.

[Alterations]

In addition to changing the serial numbers that appear on cheques, fraudsters also change the names of payees and/or the amounts appearing on legitimate cheques, money orders or other instruments of payment. Always pay close attention to the endings of dollar amounts appearing on cheques - both the numerals and the words should be identical. Remember that negotiable instruments are often altered by skilled forgers using sophisticated methods. They can be difficult to detect.

Hopefully, these points will help you to detect counterfeit cheques:

- no two cheques drawn on the same account should bear the same serial number;
- cheque paper is generally dull. Shiny paper may indicate a colour photocopy;
- cheques should have at least one perforated edge;
- the quality of the printing that appears on cheques should be crisp and clear;
- MICR (Magnetic Ink Character Recognition) characters appear at the bottom of all cheques;
- MICR ink should be dull, not shiny;
- MICR characters and any wording appearing on cheques should not be raised above the regular surface of the paper;
- look for security features such as ultraviolet markings and watermarks if they are known to be present on the genuine payment instrument.

[Cheque Kiting]

Kiting, or cross-firing, is one of the oldest kinds of bank fraud. It involves the manipulation of two or more chequing accounts by exploiting the normal delay in the clearing of cheques from one bank to another. Quite simply, it is the building of fictitious balances or credits, based on uncleared cheques. The incidence of kiting has been significantly reduced by modern-day processing, limiting the delays involved when clearing cheques.

This is how kiting works:

A kiter will write a cheque on an account at Bank A where there are insufficient funds to cover its clearing. However, before it clears the kiter deposits into his account at Bank A, a cheque drawn on an account at Bank B, so it covers the clearing of the first cheque. This process can continue through any number of bank accounts. When kiting, a fraudster can build large balances, withdrawing funds before cheques are returned and frauds are detected.

Prevention]

Cheque fraud is an international problem and occurs in many different ways. It is important to remember that you are responsible, as the person accepting cheques, to verify their authenticity, as well as the legitimacy of the people presenting those cheques. Carefully examine all cheques prior to accepting them.

The following list should assist you in preventing cheque fraud.

- cheques should always be examined to establish their authenticity;
- value should not be given against uncleared foreign or domestic items unless you know your customer;
- request two identification documents when encashing cheques;
- cheques should be endorsed in your presence; if signatures are irregular, notify your supervisor;
- be sure that written and numeral amounts appearing on cheques correspond;
- check for spelling errors on cheques.

Credit card fraud

Over a billion U.S. dollars is lost annually to international credit card fraud. The fraudsters who specialize in credit card crime are creative in their methods and operate in every country in which plastic cards are widely used as instruments of payment.

There are many ways that criminals obtain the credit cards that they use fraudulently. Some cards are stolen from wallets, residences and automobiles, others are intercepted while travelling through the postal system - pre and post delivery. Criminals use stolen cards mainly to acquire goods and services and to make cash withdrawals at banks, or banking machines if they also have the corresponding personal identification number or security code.

Sometimes, fraudsters can obtain credit cards by opening bank accounts using fictitious names and/or legitimate data pertaining to genuine individuals. Next, they complete credit card application forms. If successful in obtaining credit cards, fraudsters disassociate themselves with addresses listed on the applications and use the cards until the frauds are eventually detected.

Be aware of the extent of fraudulent credit card activity. Because of its prevalence, it will someday probably affect you.

Lost and stolen

Stolen credit cards are generally used by fraudsters for two or three days - usually the length of time it takes to list a stolen card on a *Credit Card Warning List*.

Credit card fraudsters can be detected if signatures found on the backs of credit cards do not match those on the transaction vouchers. If they differ, indicate this when calling Credit Card Authorization Centres by signalling with the appropriate emergency alert. The centre will activate a discreet security response. Try to delay the customer until the authorities arrive - but never at risk to your own safety.

Always report lost, stolen or non-delivered cards immediately to minimize fraud. If you notice that a number of unauthorized transactions have been recorded on your statement, report this to your financial institution.

Today, fraud can also be detected by in-house state-of-the-art neural networks or knowledge-based fraud monitoring systems recently installed at many international financial institutions. These networks are computerized systems which profile unusual or fraudulent transactions. They can also assess merchants' sales patterns, or customers' buying habits. If purchases fit fraud profiles, the card-issuing financial institutions investigate by calling cardholders to determine if purchases are legitimate.

[Retail fraud]

Retail fraud occurs when dishonest merchants and/or their employees sell customer credit card information to fraudsters. Counterfeit credit cards are then manufactured and sold to other criminals. Issuing institutions are generally unaware of these frauds until cardholders advise them of the unauthorized transactions appearing on their statements. Sometimes, however, they may be detected by in-house monitoring systems.

Retailers have also been known to make two or more credit card transaction slip imprints when customers are making purchases. Once customers leave the premises, illegal sales are transacted.

[Warning signs]

Although it can be difficult to uncover criminal credit card activity, be aware of the following warning signs:

- nervous or suspicious behaviour by those presenting credit cards;
- signatures on credit cards that do not correspond to those on transaction vouchers; and
- credit cards with commencement dates of the current month, indicating cards *may* have been stolen prior to delivery.

[Counterfeit credit cards]

International credit card counterfeiting costs the world banking community approximately US\$350 million annually. It accounts for about one-third of all international credit card fraud activity. The production of counterfeits is often coordinated by international organized crime groups, typically originating in the Asia Pacific region. It is truly a global crime, with plastic cards being cut in one country, holograms produced and applied to cards in another, magnetic stripes encoded and affixed in a third location, and final products being sold in yet another country where they are fraudulently used.

[White plastic fraud]

Credit cards can also be counterfeited by altering and re-embossing genuine charge, credit or debit cards, and re-encoding details of authentic account numbers onto the magnetic stripes of other stolen cards. In some cases, legitimate credit card data are embossed on blank or *white plastic* cards. Properly encoded magnetic stripes are also affixed to the cards, which are then used to defraud card issuers. Known as *white plastic fraud*, this criminal activity requires the assistance of dishonest merchants.

REPORT SUSPICIONS

The average person is totally unaware of the magnitude of fraudulent activity that occurs on an ongoing basis. Having read *INTERNATIONAL FRAUD - CAN IT AFFECT YOU?* to this point, you should understand its far-reaching effects and be able to better identify examples of this crime.

It cannot be emphasized strongly enough that unfamiliar companies need to be investigated thoroughly if you are contemplating a business association with them. Walk away from questionable activities; never be afraid or too embarrassed to immediately report them to your local police departments. These authorities are there to help you to deter new and repeat offenders. They receive regular updates on successful and unsuccessful frauds, and will often recognize a particular fraudster's method of operation.

Anticipate criminal activity

If you become suspicious of a recently established business relationship, terminate it. Companies can appear straightforward at the outset. Once they've earned your trust, they may subsequently initiate criminal activity. Similarly, terminate long-term business dealings with associate companies if management, for some reason, begins to act peculiarly. Take nothing for granted.

Also, be cautious of those approaching you professing to represent legitimate banks. If they offer to deal with your company and you are unfamiliar with their financial institutions, refer to such publications as the *Bankers' Almanac*, *Polk's International Bank Directory* or *Thomson Bank Directory*, which can be found at your local library. They list all the major international banks, their histories, ownership status, and assets and liabilities.

Above all, remember, if a deal looks too good to be true, it very likely is - and usually involves fraud.

STAYING ONE STEP AHEAD OF THE CRIMINAL

Even if your business has not been victimized by fraud, consider contacting security specialists and/or local police officers to discuss the latest preventive measures that can be implemented to protect your company. They will address popular fraudulent activity and recommend local seminars that may be of interest. Everyone, from the president of a multi-national company to the sole proprietor, should know how to fight fraud - only the well informed can deter it.

[Training]

You may question the need for obtaining training in matters pertaining to security. Don't. It will protect your company by:

- creating an awareness about fraud;
- familiarizing you with actual fraud cases;
- outlining how monetary losses have resulted from previous fraudulent activity;
- underlining the importance of preventative measures;
- reducing the incidence of fraud;
- helping to deal with actual frauds in progress;
- explaining how to recover part, or all of the monies lost, due to a fraud; and
- preventing similar frauds from re-occurring.

If you feel it is warranted, you may benefit from preparing a program outlining how your company should deal with fraudulent activity. This, coupled with professional security instruction, will help you to focus on implementing sound, protective measures.

Remember, education is an essential component of fraud prevention. To further protect your company, perhaps you may wish to go one step further...

FRAUD PREVENTION PROGRAMS

Fraud Prevention Programs can be tailored to meet everyone's needs. They are useful to develop and implement because they force companies to thoroughly assess their security operations. Strengths and weaknesses are quickly learned. You will also identify areas where fraud has been discovered in the past and where it can resurface.

So how do you start developing this program?

Step one - Preparation

- Identify employee knowledge and awareness levels regarding company fraud prevention procedures. Refer to the specific points in the DOs and DONTs listed in the section entitled, **WHAT YOU SHOULD KNOW ABOUT FRAUD**. Review any existing security procedures. Ensure that information about fraud is circulated regularly including fraud notices, publications, bulletins, new initiatives and preventative measures.
- Determine if your company has ever been victimized by the following:

- stolen cash	- counterfeit currency
- stolen cheques	- fraudulently altered cheques
- forged documentation	- falsified invoices
- illegal letters of credit	- erroneous instructions

Having regard for the above, and by assessing the eight points found in the **TRAINING** segment of the previous chapter, **STAYING ONE STEP AHEAD OF THE CRIMINAL**, you have completed the initial research phase of your *Fraud Prevention Program*.

[Step two - Development]


- Prepare the written portion of the Fraud Prevention Program. *The Plan*, conferring with local policing agencies if necessary. List the procedures and implementation steps needed to secure your company.
- Ensure that senior management (if applicable) endorses *The Plan*.
- Confirm that resources are available for necessary employee training programs.

[Step three - Implementation]

- Distribute *The Plan*, reviewing and updating it when necessary.
- Execute *The Plan*.

With your *Fraud Prevention Program* in place, you should be better able to detect, and prevent fraudulent activity which may target you or your company.

HOW CRIMINALS SOURCE THEIR INFORMATION

 lax and ineffective business operations are open invitations for fraudsters to strike. Therefore, companies must rely on their employees to ensure that security measures in place are followed. Only then will companies be safeguarded against fraud.

Business policies, especially those that can influence fraud and fraud prevention, must be maintained as classified. Client confidentiality must also be guaranteed unless customers agree to allow the release of their personal information, or should a court order demand it. It is a serious criminal offence to divulge information to outsiders for fraudulent purposes.

There are many ways, other than from employees, for fraudsters to obtain information to execute their crimes. They can intercept mail and confidential correspondence, search waste baskets and garbage bins for sensitive documents, convince independent consultants and temporary staff to leak classified material, eavesdrop on employee conversations, make unusual telephone information inquiries, and even sometimes be hired as employees.

Fraudsters also study institutions and businesses, observing and learning operational procedures. Accordingly, employees should not respond to questions asked by third parties, no matter how innocent the inquiry. Criminals who know too much about your customers' affairs and are overly familiar with company procedures are always a threat.

Be aware. Never become a communications vehicle for a fraudster. Know your customers and reveal only relevant and appropriate information to them. Always comply with company procedures. And alert those in authority when colleagues or customers act suspiciously or if you have doubts about specific business transactions.

CONCLUSION

If we lived in a perfect world, everyone would be trustworthy and hardworking, companies would never be defrauded, customers would be honest and honourable, and police forces and security specialists would not be needed. We do not, however, live in a perfect world.

Businesses do not commit fraud, nor do systems - dishonest people do. When criminals recognize a flawed or careless operation, they are quick to capitalize on the resulting weaknesses. Unfortunately, security measures have limited staying power. Criminals study and rapidly evaluate them, establish their faults, and quickly implement methods of defrauding honest companies.

Controlling fraud should be important to all. A proactive approach can considerably reduce vulnerability. If criminals perceive that prevention and detection strategies are in place, they will be less likely to attempt to defraud.

By reading *INTERNATIONAL FRAUD - CAN IT AFFECT YOU?*, you too should be able to detect fraud. Remember that awareness, prevention and education are the solutions to this major concern of global commerce.

You are the eyes and ears of your company. With determination, and a little effort, fraud can be managed - to limit financial losses - and to frustrate and expose the criminals that victimize us all.

IBSA

The International Banking Security Association (IBSA), chartered in 1981, is a not-for-profit professional association comprised of security professionals representing the international financial services community, including many of the world's largest banks. Membership activities focus on international fraud schemes, terrorism and other crimes perpetrated against world banks. IBSA enjoys official observer status in Interpol.

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Attachment 5**KNOW YOUR CUSTOMER POLICY STATEMENT**

Money launderers need to enter the banking system in order to conceal the true source and use of funds derived from their criminal activity. To do this, most money laundering schemes utilize one or more of the many financial services offered by banks. Adopting a prudent and reasonable KYC policy and promoting employee awareness is the most effective way for a bank to avoid being unwittingly involved in money laundering. Since many banks already observe formal KYC policies, ABA believes that a KYC regulation must recognize this practice.

Accordingly, ABA believes that a "Know Your Customer" regulation must be consistent with the following principles:

1. Due to the varying sizes and types of financial institutions in the United States, any appropriate KYC requirement must consider a direct relationship between the size of the bank and the cost of compliance. The banker/customer relationship continues to evolve so that "knowing customers" in the traditional sense is not always easily achievable. Customers are generally very mobile, and large banks offer multiple banking locations throughout cities and states. Therefore, it is unrealistic to believe that banking center employees will recognize or know all customers who conduct transactions at their location. Transaction or account monitoring should be limited to high risk products. Finally, the Treasury must acknowledge that modern banking services now result in less face-to-face interaction between bankers and customers. A KYC regulation must be flexible!
2. As we have stated many times, a bank must review customer information regarding the nature of the customer's business or account activity (i.e. household or personal account). A bank should obtain and retain information appropriate to its business needs. Therefore, heavy emphasis should be placed on identifying, verifying and retaining information on new account relationships.
3. While this element must be flexible, bankers support a policy of taking reasonable steps to verify the information provided by the customer in #2 above.
4. A bank will not knowingly accept deposits from or provide services to customers whose funds are derived from illegal activity.
5. A bank will not ignore indications that a customer's monies originated from illegal activities. Banks will NOT make a conscious decision to avoid learning the truth.
6. The institution will quickly respond to known warning signals in a legal and appropriate fashion. These signals need to be developed by the government as well as by the bank.
7. Bankers realize the necessity of establishing an alliance with law enforcement and will cooperate with law enforcement efforts to the extent that it is possible and legally

permissible.

8. No KYC policy can be effective without extensive training throughout an entire institution so that there is employee awareness and strong procedures. The training must be ongoing and include new and transferred employees, and covers both changes to regulatory and statutory requirements.
9. There must be a system in place to test or audit the KYC policy. The type and size of testing should be left to the discretion of the individual institution.
10. In order for U.S. banks to remain competitive in the global marketplace, banks should not be required to build new systems other than as needed in the normal course of business operation.

House of Representatives, Committee on Banking and Financial Services
Testimony from
Arnaud de Borchgrave
Director, Global Organized Crime Project
Center for Strategic & International Studies (CSIS)
February 28, 1996

Four years ago, a wealthy American friend with excellent contacts at the top in Moscow received a phone call from a prominent Russian asking him to take care of five Russians coming to New York. When they got to his office, it soon became clear that all they wanted was a banking introduction in Nassau where my friend also has a house. A week later, he received a phone call from his Swiss banker in Nassau who asked him whether he knew what his Russian friends wanted. "I assume they wanted to open a bank account," he replied. "Yes," said the banker, "but do you know for how much?" "I assume a few million," my friend replied. "No," said the Swiss banker, "it was for \$2.5 billion." Zurich headquarters was informed and the Russians were turned down.

Four weeks later, I found myself in the south of France sitting next to a Swiss banker based in Monte Carlo. After I told him what had happened to my friend in New York, he volunteered that he had received a Russian the day before who walked in without any introduction and wanted to deposit \$400 million. He also wanted to make sure that it would be concealed through a variety of other offshore banking centers and would be totally untraceable. This, too, was turned down by Zurich headquarters.

But these two incidents led me to the conclusion that something very big was taking place. It was also the genesis of the Global Organized Crime project I launched and now direct at CSIS. The project is designed to assess the dimensions of transnational crime, the nature of the threat, and to make recommendations on measures for a muscular response.

The Project's Steering Group is chaired by Judge William H. Webster, the former DCI and FBI Director, and is composed of some 30 prominent experts from the intelligence, law enforcement and corporate security communities. It has spawned seven task forces (composed of 150 members, each one highly rated in his or her field) that deal with money laundering; counterfeiting; the smuggling of radioactive materials; the smuggling of millions of illegal immigrants from east to west and from south to north since the end of the cold war; narcotics trafficking; Russian Organized Crime; Asian Organized Crime; cybercrime and information technology security; cyberterrorism; cyberwarfare, or infowar.

After 18 months on the job, there is little doubt in our collective minds that the dimensions of transnational crime present a far greater international security challenge than anything western democracies had to deal with during the cold war. Jim Woolsey, the former DCI, who is a member of our Steering Group, could not have put it more succinctly when he said, "We have slain the dragon of the Soviet empire, but we now find ourselves in a jungle filled with a bewildering variety of poisonous snakes."

President Yeltsin, as we know, has called his own country, which still spans eleven time zones, the biggest mafia state in the world, the superpower of crime. He has accused officials of turning a blind eye to the criminal penetration of the MVD, the very organization that is in charge of fighting organized crime. The collapse of the Soviet Union also brought about a lethal mix of intelligence services, banks and organized crime.

I personally investigated -- and in many cases witnessed -- what Russian thieves-in-law or mafia dons were doing all over western Europe, North America and Latin America. Carrying \$5 million to \$10 million around in \$100 bills in suitcases, they have been buying choice properties for the past four years, all the way from Buenos Aires to Berlin, from Marbella, Spain, to Monte Carlo, Monaco.

Mr. Jurgen Storbeck, the German Director of Europol, the nascent EU police investigative unit (which does not have law enforcement powers), said recently, "there is a tidal wave of cash of dubious origin being invested by Russians. Russians are now the most active in buying up any assets on the European markets, including companies, office buildings, stores, restaurants, clubs and so forth. Billions of dollars are being channelled each month through such money laundering centers as Cyprus. No one is quite sure about how the money is being made and where it's coming from. But we do know that much of it is obtained through extortion and other criminal activities." Tiny Cyprus, incidentally, receives 100,000 Russian visitors a year -- compared to 200,000 in the U.S.

Dr. Zbigniew Brzezinski, the former National Security Adviser, who also headquarters at CSIS, estimates that Russia has taken in approximately \$110 million from all western countries, principally Germany, and international institutions during the past seven years. Of that amount, he reckons that between 60% and 70% has found its way back to secret bank accounts abroad.

There is a growing crisis of law and order over an increasingly large part of the globe. The collapse of the Soviet empire led to a breakdown of the discipline generated by a fear we no longer fear -- to be replaced by a new, largely unspoken, fear that the human being is becoming redundant.

There are already 820 million unemployed in a world of 5.7 billion people. And with almost 100 million new babies a year -- 40 per cent of them born into the megaslums of the developing world -- and with an average age of 21 or less, we have entered an era of rising

inequities between nations and within nations.

There are also the haves and have-nots of the information age. In our banking sector alone, some 450,000 employees will be laid off by the end of the century, displaced by megamergers and by on-line banking which is expected to shut down half the branches in the country. A new cashless society will have created a ready-made army of disgruntled people, potential recruits as purveyors of inside information.

This is the global environment in which transnational crime, which knows no borders, has carved up the planet into privileged sanctuaries of all manner of crime. The social and demographic pressures driving transnational crime are little understood. Narco-democracy is now part of our geopolitical jargon. The Hong Kong-based Chinese Triads, now spreading all over China, and, through the Overseas Chinese, to the rest of the world, have forged alliances with the Japanese Yakuza, Russian syndicates, Colombian cartels and so forth, and left national law enforcement agencies trailing from five to ten years behind.

Our GOC study has also established a direct correlation between the exponential growth of transnational crime and the computer revolution. Traditional prerogatives of national sovereignty have not only been challenged in cyberspace; they have ceased to exist.

But we still seem oblivious to how vulnerable information technology has made us. A former computer topsider in the intelligence community told one of our task forces, "Give me \$1 billion and 20 super-hackers, and I can shut down America." A DoD colleague, upon hearing the statement, said he could do it for \$100 million.

In order to test the security and vulnerability of DoD's communication systems, the ASSIST Center of DISA (Defense Information Systems Agency) was tasked to penetrate the Pentagon's worldwide operations. For these mock attacks they did not use sophisticated tools and techniques, but rather software available to anyone on INTERNET, such as SATAN, R-BONE and ROOTKIT.

First, they were able to gain full user privileges of three per cent of computers through the frontdoor. Then, by exploiting the relationship of trust of the three per cent, they were able to penetrate 88 per cent of all targeted systems. 96 per cent of those attacks went undetected. And of the four per cent who did realize they had been successfully attacked, only five per cent reported the incident to their superiors.

Sub-state or non-state criminal actors are using the same methods. Although not verifiable, briefers in off-the-record meetings, representing industry and government, have told us that at least 400 of the Fortune 500 corporations have been penetrated -- and again only five per cent were aware of the intrusion. In many instances, the objective was passive economic intelligence collection, setting off fewer, if any, alarms.

We have no early warning capability in cyberspace. In mock information warfare scenarios, we have seen that telephone signaling systems and switches can suddenly curdle, jamming communications; that trading on the New York Stock Exchange can be paralyzed; that automated teller machines can go haywire, crediting and debiting erroneous amounts at random; that the Social Security System and its 1,325 field offices could no longer function; that air traffic control centers, and railroad and shipping computers can be disabled.

The order of magnitude of transnational crime is staggering. Britain's National Criminal Intelligence Service has a rough guesstimate of \$1.3 trillion for annual global money laundering -- an increase of \$300 billion on their previous annual estimate. NCIS receives some 12,000 confidential money laundering tips per year from public-spirited citizens. But not one of these tips led to a conviction. Evidence simply vanishes in cyberspace in nanoseconds.

PDD-42, issued by President Clinton last October, was designed to come to grips with transnational crime and money laundering. It is at least a beginning. But it is woefully inadequate in that it assumes that we can negotiate the closing of some 50 major money laundering centers that span the globe -- many of them tiny island nations -- and, if unsuccessful, punish them by taking them out of the U.S. financial loop. There is no such loop. It is now a global one, but law enforcement still has to stop at meaningless borders. The Seychelles will give anyone depositing \$10 million a diplomatic passport -- i.e., immunity from prosecution. A St. Kitts passport can be had in return for the purchase of a \$150,000 condo.

The world's leading financial policemen are only now getting around to "considering" targeting money laundering from arms trafficking, extortion and bribery, as well as the drug trade. Members of the Financial Action Task Force, which groups officials from the European Commission in Brussels, the six member countries of the Gulf Cooperation Council, and 26 other countries -- for a total of 47 nations -- have launched a review of "guiding principles." This review will be completed in June. Hopefully, it will result in the criminalization of money laundering linked to any serious crime.

The Task Force's current recommendations, based on the lowest common denominators among the member states, only require the criminalization of drug money laundering. The inclusion of all serious crimes could make it simpler for law enforcement officials to launch investigations that look suspicious, but have no obvious drug links. The review is not expected to result in big changes to the 40 principles currently recommended by the Task Force. Yet, in our opinion, these changes are long overdue.

The review will also have to consider whether to address new issues raised by the development of "cybercash," new payments systems such as stored value cards or electronic wallets. Ronald Noble, the outgoing Undersecretary for Enforcement at Treasury and

chairman of the 47-nation Task Force, said, "We have to be concerned as an organization to come up with principles which recognize that technologies could pose a threat but do not define them in such a way that you are dated as soon as you publish them."

Law enforcement officials feel strongly that the developers of new financial technologies should think about their criminal potential before they launch them, so that governments do not have to clamp down on them afterwards with draconian rules. Safeguards now being discussed against the misuse of electronic stored value cash cards could include limiting their maximum value or restricting their use to certain closed systems.

The professionals on our own CSIS task forces believe that electronic financial crimes are now the principal threat to the world's financial infrastructure. We are facing a new breed of transnational criminals with hightech methodologies.

Individuals and corporations are only dimly aware of the risks. Vint Cerf, the father of Internet, predicts that before the end of the century, some 200 million computers (vs. 40 million today), and some five million global networks (vs. 85,000 networks today), will all be linked to the 'Net. Internet's World Wide Web sites are now doubling every 53 days. Electronic commerce is expected to reach \$3 trillion a year in four years time when on-line banking will become the norm, and checkbooks the exception.

America's real assets are in electronic storage, not in Fort Knox, including most of its proprietary and intellectual property. And in this global electronic environment, there are no cops to protect you, your assets or your secrets, or your reputation in personnel or court records that can be doctored by remote control. As "60 Minutes" demonstrated last Sunday, transnational criminal gangs are now routinely stealing the identities and retirement accounts of American citizens.

We all know that successful counterfeiting is also a global plague. If 14 out of 15 French banks -- forewarned that it might be a forgery -- guaranteed the authenticity of a \$100 bill, we know that the superbill is not a journalistic fantasy. Russians now hold tens of billions of dollars in \$100 bills. About \$100 million in \$100 bills is shipped daily to Russia where they are bought for rubles. Topic A among Russians these days is what the new \$100 bill will do to their hoard of old bills. The U.S. Embassy hot line tells them they have nothing to worry about, that the old bills will be valid tender for the indefinite future. But there is no question that regimes such as Iran, Libya and Iraq have a vested interest in destabilizing confidence in the dollar. They have also been using counterfeit dollars for subversive purposes. The global reach of the superbill is yet another example of how law enforcement and intelligence have no alternative but to pool -- not share -- their resources.

What does CSIS hope to do about Global Organized Crime? First of all, there is no central clearing house for information about activities in all fields of transnational crime. CSIS has

collected and continues to collect this information from a wide variety of sources all over the world.

Our mandate is that of a catalyst to raise the level of awareness that hopefully will provide the building blocks for the kind of hightech transnational cooperation and legal structures that are essential in order to level the playing field between law enforcement and transnational crime syndicates.

Countries under attack, including all the democratic nations of the world, have no choice but to pool their resources to create the kind of countervailing force that transnational crime syndicates will have to take seriously.

Until that happens, Global Organized Crime will continue to supplant national entities and undermine the world's financial infrastructure.

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Clifford L. Brody Associates, Inc.

Written Testimony
of Clifford L. Brody, President of Clifford L. Brody Associates, Inc.,
Washington, D.C.,
before the Committee on Banking and Financial Services
of the House of Representatives, on the Threat Presented by the Activities of
Organized Russian Groups, Banks, and the Russian Government
to the International Financial System.
February 28, 1996

Mr. Chairman, Representative Gonzalez, Members of the Committee, my name is Clifford L. Brody. I am President of Clifford L. Brody Associates, Inc. a bank marketing and electronic banking consultancy based in Washington D.C. I am pleased to appear before you today to testify on the threat of organized crime to the international financial system and, if I may add, to the domestic banking system of the United States.

I believe that Russian banks and the Russian government play a major role, often an active role, and thus bear major responsibility, in contributing to the growing problem of laundering of U.S. currency.

I also believe that the U.S. Government should take specific steps to counter these activities, and that it can -- without compromising its goal of diminishing the threat of Russia's returning to its role as super-power adversary, or rebuilding its cold war nuclear arsenals.

I therefore make the following recommendations.

- First, that Congress attach a carefully worded, concise requirement to targeted appropriations legislation, requiring the U.S. Government to negotiate and then confirm specific and effective Russian Government action to improve its bank supervisory functions in order to thwart illicit Russian bank activities, and that securing a timetable for specific improvements by Russia be a prerequisite for continued funding of U.S. technical assistance to Russia's financial sector, or any technical assistance, targeted to investment in individual Russian banks and their back room processing, from multi-lateral institutions like the World Bank or European Bank for Reconstruction and Development,

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- Second, that Congress urge the Executive Branch to secure agreement from the Russian Government to make available to legitimate U.S. banks the approved list of Russian companies authorized to maintain deposit accounts outside Russia,
- Third, that Congress secure, ideally through informal discussions with the Executive Branch but with legislation if necessary, a firm commitment from the Executive Branch to act in concert with other governments, and a similar commitment from the Federal Reserve to act in concert with other central banks and the Bank for International Settlements, to negotiate agreement among OECD governments and central banks that so called stored value cards generally be limited in their function so as to pre-empt any opportunity for Russian (or any other) banks systematically to use electronic cards to bypass any OECD country's effective control over its currency and money supply, and
- Fourth and most importantly, that this Committee work closely with the domestic U.S. banking industry to decide on the necessity for legislation defining whether "bearer" stored value cash cards should be able to contain unlimited amounts of cash without some form of electronic stamp indicating where large money balances on such cards came from, and who they belong to.

My perspective in these matters is shaped by my professional experience and, of course, my personal bias. I have been a United States diplomat specializing in East-West matters, serving in Washington and in Europe for 14 years from 1966 to 1979. Since leaving government, I have served as a consultant to most of the larger money center and regional U.S. banks, and as advisor to several large banks, high technology firms, and multinational consumer goods companies expanding into Central Europe, Eastern Europe, and countries of the former Soviet Union, notably Russia itself.

In the period from 1990 to 1994, my firm either advised or represented Citibank, Avon Cosmetics, Hearst Publications, AT&T, Hewlett-Packard, HJ Heinz, Cabletron, and several smaller firms in specific business matters in Russia. In each instance, our client's goal was to achieve a satisfactory return on the heavy investment required for opening business operations there. Our scope of work in each case was to negotiate with Russia's Central Bank, commercial banks, or state-owned banks as circumstances warranted to assure that our client's business interests, contract relationships, account balances, or operating licenses would be properly respected and treated fairly.

My firm also entered into agreements with First Data Corporation, US West, and several other major firms to work with emerging Russian commercial interbank clearing systems to improve electronic funds transfer operations among Russia's private sector and state owned banks. In addition, my firm located and helped negotiate multi-year project financing from non-Russian and Russian commercial banks for housing construction desperately needed by the US Embassy in Moscow to house U.S. diplomats.

My firm also had become known to the largest Russian banks and the Russian equivalent of the American Bankers Association -- namely, the Russian Bankers Association -- as a potential supplier of technology for making needed repairs to Russia's interbank clearing system. The Russian Bankers Association in particular urged my company to approach the Central Bank of Russia on this subject, which it did in 1992.

Subsequently, with the sponsorship of several major U.S. technology firms, my firm sought out the National Automated Clearing House Association, NACHA, the U.S. self-regulatory organization (SRO) umbrella group whose membership includes over 400 of this country's most active electronic payments systems operators and

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participants -- including all major banks and several agencies of the U.S. Government like the Social Security Agency and the Department of the Treasury. As you may know, NACHA sets the standards for encoding, security, and transmission of all electronic funds transfers (EFT) in the United States, including those involving SSI, VA, and other direct deposits, virtually all private sector direct deposit programs, and most company to company EFT as well.

The avowed purpose of my firm's seeking the guidance of NACHA was to respond to a specific request from the Central Bank of Russia to my firm, in the Fall of 1992, to provide expert technical assistance to the Central Bank for modernizing the hopelessly antiquated interbank payment system inside Russia.

By 1992, for reasons too complicated to summarize here, Russia's interbank payments system had become so inefficient and leaky that on a daily basis, interbank transfers by the thousands simply were getting lost, while millions of other paper transfer slips confirming interbank transactions were being stored in several rooms in a building in Moscow, left there to rot. At the same time, anyone with even a first generation IBM PC could tap into the rudimentary electronic interbank clearing system then in place and literally create money transfers out of nothing -- effectively printing money without a printing press.

The Central Bank of Russia said it knew this was happening, and that it wanted to put a stop to it.

For ethical as well as practical reasons, we pointed out, the adoption inside Russia of modern interbank clearing and settlement procedures and technology made sense only if the Central Bank of Russia itself were determined that the system operate according to the same high standards that today in every OECD country already govern interbank payments, clearing and same-day settlement of accounts at the central bank. Otherwise, technology could and likely would be used by at least some interbank payment system participants -- including banks -- for illicit as well as legal activities.

Only when the Central Bank of Russia confirmed in writing to us later in 1992 that it wanted its interbank system to comport with BIS standards did we agree to move forward. The Central Bank then formally requested that my company, others, and NACHA bid on its interbank payments system modernization project, which we did.

The government agencies that have testified earlier today have spoken of the general threat of organized crime to the international banking system. Several have spoken about the threat to our domestic banking system as well. They have spoken of the dangers inherent in the organized groups that are becoming more and more technologically efficient, able to move huge sums of clean as well as dirty money in nanoseconds, without law enforcement agencies or honest bankers having much chance of knowing for sure who they are dealing with.

These agencies represent a government -- the U.S. Government -- trying its best to keep the dirty players out, something my firm heard the Russian Central Bank say it wanted to do, too.

Alas, the words did not fit with the deeds. For, in the process of organizing the bidding consortium with several U.S. companies and NACHA, preparing volumes of bi-lingual terms of reference and bidding documents, competing intensely for the contract, winning it, and receiving a Letter of Intent from the Central Bank to consummate the contract, the real deal was put to me in no uncertain terms by a senior Central Bank official in May, 1993, when I came to Moscow to sign the actual contract.

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Look, Mr. Brody, he explained. All these standards and rules that you use in the United States are very nice. But what we really like is this little slice of software -- he pointed to a single box in the complicated diagrams and technical narratives that our consortium had provided -- effectively singling out new technology that had resulted from more than five years of R&D by one of our consortium of bidders. This technology, he said dryly, may seem to you to be a very small item. To us, it is big. We have everything else your consortium is offering, and we really do not want to buy any of it. But, tapping his finger on that little diagram, he went on: we don't have this, so name your price, Mr. Brody. We'll pay you anything for it!

I've seen a lot of dirty dealing in my life. It's quite something else, though, when someone senior at the Central Bank of one of the most powerful countries in the world asks you to help it with software piracy. I walked out.

Alas, inside Russia today, within the country's central bank, within its huge state owned banks, and among almost all of its large and not-so-large private sector banks, you can literally buy your way into the interbank payments system and use it for just about any purpose you want.

If you are a clean player, you can transfer your money domestically inside Russia to one of the banks connected directly to SWIFT, and then have your money efficiently wired anywhere in the world. If you are a dirty player, you can do the same. No one checks where the money has come from, what balances have been hidden from the government, or what the funds are meant to do.

It is not a system in which there just happens to be a larger-than-usual bunch of bandit banks. Rather, there is simply no effective enforcement of banking supervisory rules over and above a rather elemental reserve set-aside program, based on a simple accountant's audit, that the Central Bank notches up or down as macro-economic circumstances seem to warrant. There is no effective reporting system for money laundering, nor even a modern set of rules in place requiring one. There is no modern examination system, few real examiners, and no document filing systems to signal to central authorities when inordinate amounts of hard currency is deposited or withdrawn, or even if hard currency balances actually exist.

Banks comply with some existing Central Bank reporting requirements by declaring only some of their own balances, keeping the rest off the books by shifting them among their clients. The banks then become active partners helping corporate and high net worth individual customers sidestep their own nominally required reporting to various ministries. Often this happens because the banks themselves are substantial equity holders in the very companies whose accounts are maintained at the banks, and whose own interests are therefore better served by hiding the truth of their customers' wealth.

Russian companies, in turn, simply keep funds on deposit outside the country, either illegally (under Russian law) in their own accounts or in legally-held off-shore accounts of other companies that lend out the account facility to others -- for a steep price. These companies then send middlemen to the United States, shopping for domestic U.S. companies willing to receive wire transfer payments from these accounts for bogus services, draw out cash, and give it to other Russians when they travel here.

My firm was approached more than once and asked to participate in precisely this kind of scam -- in one case by a Russian who had been traveling to the United States repeatedly on grants from the U.S. Agency for International Development. We were even asked in New York City, by representatives of a huge Russian state owned enterprise, to be the systems integrator for hardware, software, and transaction processing that would have

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allowed the company in question to pay its employers and suppliers through accounts accessed by debit cards issued to them. At first, it sounded like a great idea. Then I asked how the company planned to gain what I knew to be required pre-approval from the Russian Central Bank to operate a local card system and tap the interbank system for ongoing funds to redistribute to cardholder accounts. I was told flatly that the factory had no intention to do so. Instead, it wanted a system that it could use to create its own rubles. Not scrip. Rubles.

Were it 1992 right now, Mr. Chairman, and were we talking today about a Russia just beginning to emerge from the shackles of single-party communist rule, we could perhaps take comfort that in its first steps towards a true free market economy, we were likely to see these kinds of improprieties.

However, we are now four years into a massive program of bilateral and multilateral loans and grants from the United States, other OECD countries, the World Bank, the EBRD, and the IMF, amounting to more than \$100 billion, where the government of Russia has had opportunity after opportunity to take control of its own destiny and impact to its economy and commerce a baseline of acceptable banking and business practices.

Russia simply doesn't want to.

In a country supposedly in desperate need of a \$10 billion IMF loan over three years, there is anywhere from \$70 to \$100 billion on deposit outside Russia belonging to Russian owners. With notable individual exceptions, neither at the Central Bank nor anywhere else in the Government of Russia is there an official thirst for instituting a system of legal, business, or banking practices that could comport with those in place here or elsewhere among highly developed economies. In its place, there is only bribery. Lots of it.

One hears splendid talk, to be sure, about how the system in Russia could be fixed. In the land that gave us Dostoyevsky, how could there not be hundreds, indeed thousands of pages of intellectually fascinating draft rules about banking regulations, coupled with the most elegant discussions among Russian central bankers, commercial bankers, World Bank advisors, the IMF, and consultants from the European Bank for Reconstruction and Development about ways the system should be repaired.

There are also a few senior people inside the Central Bank of Russia who yearn for propriety and honesty in the system. I have met them. Their motivation is first and foremost the pride they have -- and want to have -- in their own country, and the desire to see themselves and be seen as members of an international community of regulators working in concert to improve the international banking system and keep dishonest players in check.

Unfortunately, what prevails in Russia today is an attitude of official *laissez faire* coupled with an "I want my share too" mentality from the top to bottom of government. It is a system without effective laws, no less law enforcement, and a population of officials inside the Central Bank and the Finance Ministry who think the rules of fair play and honesty in banking that you and I might talk about are sheer lunacy. Not luxuries. Lunacy, with no place in the real world that Russia has been for a very long time.

The result is a banking free-for-all, where the banks inside the country do what they want -- including bribing their way in the door at the Finance Ministry itself to get in line for new state credits to bail out borrowers that cannot pay old loans coming due. Some of the insider dealing would make even Charles Keating blush.

When western investors, bankers, visiting Members of Congress, or expert teams from the World Bank or EBRD or USAID meet with them, most of these bankers will mouth the right words. And the banks' premises

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sure do look spiffy. But behind these splendid facades, the will is simply not anywhere to be found among commercial banks or the Russian government to play by internationally accepted banking rules. Instead, the passion is there only to find the best technology anywhere to move money to where it will make the most raw profit.

Indeed, the business plan of most Russian banks can be summed up this way: use the best technology there is to accumulate dollar balances from home and abroad, lend as much as you can locally inside Russia for three to six months at rates of 40-80%, move any remaining balances outside the country on the bank's own account or wherever depositors want, leave them on deposit at banks large and small in European and Asian capitals, earn nominal interest, wait for customer instructions on where to move balances next, don't ask questions, and charge hefty fees every step of the way. To the recipient banks in Europe and Asia, these deposits are quite the gift -- low cost deposits that can then be lent out at very attractive spreads.

The reason more balances don't show up in the United States in quantity is not because our laws are that much better than, say, in Europe, and instead because most U.S. banks do a very fine job of watching where deposits comes from. This imperfect line of defense, this complex balance of laws, regulations, banking practice, and things we believe in, are ultimately reflected in that banking rule of rules -- "Know Thy Customer."

All Russian banks -- all of them -- live free from any equivalent form of self policing. They don't care who their hard currency customers are. Instead, Russian banks realized in the early 1990's that it would not take much to corner the market for laundering money, and that it would be very lucrative if they did. They also realized that with the right technology, they could do it efficiently and make a lot of profit doing so. They have become simply the most systematic, efficient, and intense in attracting illicit dollar and other hard currency balances -- no questions asked. They are also the most efficient in redistributing these balances all around the globe.

There are two ways this Committee can deal with this serious problem. One is to address existing patterns of money laundering. The other is overcoming the ominous new threat of money laundering when electronic commerce and the use of electronic money -- cybercash -- becomes the norm.

I do not believe it necessary that new laws be passed, or even that new regulations be written, to deal with the current threat from Russia. The United States does not have the extraterritorial reach into Russia to make U.S. laws stick, nor is there very much interest among banks or the official community inside Russia to enforce equivalent rules of their own.

Instead, the United States Government needs to be creative, assertive, and above all practical. Right now, the Central Bank of Russia issues licenses authorizing companies inside Russia to maintain deposit accounts in foreign countries. It keeps a current list of who has those licenses. Through the Bank for International Settlements, by direct bilateral discussion between OECD countries and the Government of Russia, or by some other official means, an agreement can be reached -- if the United States asserts leadership -- by which banks *outside* Russia could confirm with the Central Bank of Russia that funds being wired from a Russian owner to a bank anywhere outside that country were in fact legally being put on deposit outside Russia.

It is not farfetched even to think that the Central Bank of Russia could put its list of approved account holders on the World Wide Web -- allowing access only to authorized commercial banks.

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The real challenge is pressing the Russian Government and Central Bank until it agrees to make this possible. It may not be as hard as it seems. At least one senior official from the Central Bank told me two years ago that the Central Bank would be amenable to coordinating this way, but that there were no takers from among the dozens of U.S. government officials with whom he had met about this -- high-level officials from many of the agencies that testified here earlier today. If our government wasn't prepared to take up the offer then, it should now.

Governments in Western Europe also have known of this option for a long time. A few correctly argue that they do not want to appear to be in bed with Russian law enforcement authorities, especially if those authorities can and often do act with capriciousness in defining who a bad guy might be. I agree completely. But it is a far cry from collaborating with Russian law enforcement merely to empower legitimate commercial banks, before accepting deposits that appear to have Russian ownership, to check a list of those Russian companies that can legally hold hard currency outside Russia.

The acid test, of course, is whether in these times of rising political sentiment inside Russia against reforms of many kinds, the Central Bank will make that list available -- and whether it will do so without requiring that the bank checking the list say why it is doing so. It is not worth the investment either of time or political capital for Congress to pass a law about this. But there should be a paragraph making financial assistance to Russia conditional on our government getting the Russian Central Bank, and Finance Ministry if necessary, to go along.

The real problem, Mr. Chairman, is getting US diplomats to press for a solution whose details they apparently do not understand, and therefore cannot defend when facing reluctant Russian counterparts who also may not understand the technical issues. The Federal Reserve does not suffer from this lack of understanding: the Committee ought to explore whether the Federal Reserve can and should generate interest among other OECD central banks to use their powers of persuasion collectively to get the Russian Central Bank to go along.

I want to turn now to legislation that this Congress may well have to pass, Mr. Chairman. Given how long it takes for legislative language to become law, and the sustained investment in time and political capital needed to build an effective consensus with the banking industry and regulators for statutory language that achieves what is intended, the Committee should begin work now, without delay.

I am speaking here of legislation that preserves for governments the exclusive franchise of creating and printing money, and assures that as technology advances to allow citizens to use portable electronic forms of money, government does not cede its actual power to create money to organized crime, money launderers, counterfeiters, tax evaders, or even by accident to honest people.

Right now, legitimate commercial companies and banks are investing extraordinary sums and working seven days a week to carve out an extraordinary franchise -- literally the placement of multiple accounts on so called stored value cards. These stored value cards -- people often call them smart cards -- will eventually be as commonplace as regular plastic debit and credit cards are nowadays.

These cards will work in one of two ways. One card might carry information and spending power from multiple accounts clearly identified as belonging to the specific card holder. Or, it would carry real money downloaded onto the card in electronic form that can be spent electronically by whomever has the card in hand. It will be technologically possible for one card actually to do both, and the best ones will.

Clifford L. Brody Associates, Inc.

With the first kind of card, consumers will be able to access what is theirs in the way of their own money or other vital or valuable personal data stored in a money, credit, or information account somewhere. The one card will let them tap these multiple accounts at home, on the job, in stores, and just about anywhere else for transactional, medical, educational or other purposes -- all with extraordinary convenience and safety.

Much of the private-sector planning for consumer and business use of these smart cards centers on marketing this multi-account functionality, and limiting the holder's spending to what the person has in his or her various bank or consumer loan (e.g. credit card) accounts. Save for the fact that multiple accounts will be included on the same card, these cards would work the same way ATM or credit cards do now: swiped at the point of sale with confirmation received from the account issuer via an on-line dial-up connection before the transaction is permitted.

A pure bearer stored-value card -- a so-called cash card -- will be different, in effect substituting literally for actual coin and banknotes. Much like a dollar bill, he who held it could spend it. It would be honored no matter who held the card or where it was presented. There would be no point-of-sale confirmation. Once the money inside the card were spent, the same card could be refilled with more.

Much of the convenience these bearer cash cards will offer to merchants will be in eliminating the expensive per-transaction dial-up verification process so commonplace in stores today. Instead, the card bearer or store clerk will plug the card in to the cash register, and if there's cash value in it, the customer will be able to buy the newspaper, with the purchase price and tax deducted from the value on the card, just as happens today when you use fare cards on the Metro.

This type of card is ideally suited for the huge volumes of low-denomination transactions that would otherwise be prohibitively expensive to process electronically if the merchant had to perform verification through on-line systems -- as happens today.

Bearer cards issued by Mondex, a company in Europe, are already being used on a trial basis in a town in England in just this way. There is anecdotal evidence that consumers, though understanding the logic of these cards and the convenience they are supposed to offer, question whether they want bearer cards that can be lost or stolen, and then spent by someone else. While it is too early to say how readily the marketplace will accept these cards, Mondex believes that it is a marketing problem to get consumers to go along, not a technological one.

I believe that the Mondex model will not succeed commercially. Instead, banks and card issuers will succeed in finding the right mix of specified card-holder accounts *plus* the bearer - refillable money capacity to include on one card. Marketed correctly with built in security features, this combination card will meet with consumer acceptance in sufficient numbers to make it commercially lucrative.

The question is, what must be done to make sure these cards cannot be systematically exploited by highly-organized teams of financial institutions already intent on laundering money using high technology?

It is inevitable that bearer stored value cards or combined personal account / bearer stored value cards will be lost or stolen. Some will only be drained of the money stored on the card and then thrown away. But without some form of protection, others will be used specifically as transfer vehicles to store extraordinary amounts of money that then can be carried inside a wallet from country to country and used to launder funds. Or, bearer cards will be cloned outright.

Clifford L. Brody Associates, Inc.

If cloning were to happen, counterfeiting would be only one of the real problems on our hands. Real ill-gotten funds on deposit in Country A could be put on a single card which then would be carried to the United States, where the card could be drawn down or offloaded onto cards carrying denominations of, say, \$500. That second tier of cards could then be smurfed through home banking systems into a master account, with no one the wiser. A bearer cash card with a million dollars stored on it could be flushed electronically in \$500 increments to disbursed accounts, at ten transactions a second (very slow by today's standards), in less than 5 minutes. It would make no difference if laws said that a single card could have no more than \$10,000 on it; the value on the "illegal" \$1,000,000 card could simply be dumped into 100 "legal" cards of \$10,000 each, or 1000 cards of \$1,000 each.

It could be that simple, with the whole process automated on one PC. Therein lies an interesting future for organized Russian money launderers -- and any other money launderer for that matter. CTRs and "Know Thy Customer" would no longer make any difference.

Contrast this with matters as they are today. Regardless of what form they have, aggregated sums of money today, other than actual piles of banknotes, always carry the name tag of an owner. Launderers have to take pains to falsify the names of those owners, by putting many layers between the true owners and the nominal owners of ill-gotten money. This is essentially the laundering process. The very fact of its built in inefficiencies -- the necessity to have these layers -- is also the sole reason why law enforcement agencies have at least half a chance to discover what is going on.

If bearer forms of refillable money cards are allowed to circulate without any real limit on how much spending power can be put inside any one card, this one last defense against wholesale electronic movement of ill-gained money will fall away. In its place will come a tailor-made opportunity for organized crime, and banks organized to support it, to use the highest forms of available technology to marshall these cards in ways that will avoid any detection at all.

Arguably, Congress could simply stay on the sidelines, let consumers make the choice, and hope for the best. Will consumers accept single-purpose bearer money cards and their attendant risk? Will they opt solely for smart cards with their own accounts that take the identity features and protections already built into present credit cards to new levels of electronic security?

I believe that they will opt for a combination card. If I am right, the better course for this Committee is to begin discussions now with the domestic banking industry to define whether there should be statutory language defining where the balance should lie between real convenience to the customer -- something I want as a consumer -- and a situation in which stored value cards can be used to contain and transfer unlimited amounts of money.

It is too easy simply to say that any statute on this subject should require that all forms of stored value cards be allowed so long as they attach specific identity to the values stored on the cards that can be confirmed at the time transactions are made. It does not make sense to give up the real cost savings to consumers, merchants, and banks alike from my being able to store \$50 on my card, and from the merchant's ability then to accept it for my son's 50 cent purchase of a candy bar. Why should the merchant have to keep an expensive on-line terminal always at the ready for something like that?

Clifford L. Brody Associates, Inc.

Put differently, do I care if a card with a stored value of one dollar points to the owner? Probably not. Do I care if a card with one million dollars does. I probably do. Does Congress need to sit down with industry and work out where the threshold lies and how to incorporate it into these cards? Yes it does.

If the consensus then points to the necessity of a statute, its drafting will clearly require the cooperation of the Treasury Department, the Federal Reserve, and the knowledge of the very companies, banks and industry groups that are developing the technology. If written badly, it is a statute that would dangerously interfere, as it must not be allowed to do, with the extraordinary and beneficial development of stored value cards meant to be tied to bank accounts, credit accounts, medical records, government benefits, library accounts, medical or dental records, frequent flier miles, allergy data -- information that when stored on a single card for immediate access could provide wonderful and even life-saving benefits to real people, and create substantial job growth at the same time.

We will see the first of these cards introduced by banks for use in Atlanta, during the Olympics later this year. We should watch carefully how they work, and what customers think of them. It then will become easier for banks, the bank regulatory agencies, and Congress working together to gear their thinking to what most customers seem to want -- security and safety for their money -- and then perhaps to set a threshold below which amounts of pure cash stored on a card is acceptable.

I ask the Committee to keep in mind that the business goals of these banks are right on the mark: to deliver real benefit, better customer service, all at a lower cost, by tying one single card rather than a whole wallet-full to a person's bank accounts, credit accounts, medical records, government benefits, library accounts, dental records, SSI benefits, frequent flier miles, allergy data, and the like.

Congress ought to want these banks to succeed at achieving each one of these goals, which I believe it does. By the same token, Congress ought to accompany the development of bearer cards with discussion with the industry on how to build in common sense, technologically-driven features limiting the amount of cash on the card, or identifying the origins of large denomination stored card balances.

Otherwise, the United States risks losing effective control over dollars in circulation, and even the creation of money itself, to money launderers around the world. At least some of them will be Russian.

I am prepared to answer any questions you may have.

SUBMITTED BY HON. BRUCE F. VENTO

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A SECTION

TUESDAY

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317

'Identity theft' can be financial ruin

Diverted mail gives criminals quick access to crucial financial data

whose story was told on CBS' "60 Minutes" Sunday, thieves submitted a phony address-change card to the U.S. Postal Service, indicating she had moved to Brooklyn.

But Dr. Mary Zupanc, a physician at the Mayo Clinic, hadn't moved. Instead, her mail had been illegally diverted to a Brooklyn mail drop, where an organized ring started receiving her bank statements and credit card bills.

"When that happens, the bad guys are off to the races," said Michael Mansfield, head of the

economic crimes bureau of the Queens County District Attorney's Office, which is prosecuting the suspected ring.

Mansfield said the Brooklyn ring, run by eight Nigerian nationals, took over the credit identities of more than 1,000 Americans, draining their bank accounts, running up debt on existing credit cards and forging new ones.

When authorities searched one ring member's

SIGNS

The U.S. Postal Service warns that if your mail drops or drops dramatically in volume, you may be a victim of this kind of fraud. You should contact your letter carrier or post office.

DAVID SHAFER STAFF WRITER

Authorities call the scam "credit identity" theft.

Organized rings of thieves, using financial information gleaned from stolen mail, can tap into your credit cards, checking account and savings, wreaking financial havoc in a matter of weeks.

In the case of a Rochester, Minn., physician,

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CREDIT

▼ CONTINUED FROM 18

apartment in Queens in September, they found thousands of bogus credit cards along with the equipment to manufacture them, Mansfield said.

Zupanc told CBS that thieves tried to drain her retirement account at the Mayo Clinic and her daughter's college fund. But Zupanc managed to halt the outflow of money before any was lost.

"I've been told by postal inspectors over and over again that this will go on for years," Zupanc said on 60 Minutes. "They have my identity, yes, and it is scary. It is very scary. And they have my daughters' names."

Postal officials said fraud based on stolen financial information is a growing problem. But officials insisted it is not strictly a postal problem.

About 1,000 fraudulent change-of-address forms are submitted to the Postal Service each year, said Paul Griffo, spokesman for the U.S. Postal Inspection Service. About 3,000 bogus change-of-address forms are submitted directly to financial institutions each year, Griffo added.

An even larger number of credit cards and bank statements are simply stolen from peoples' mailboxes. In Minnesota, there are about 5,000 mailbox thefts each year, said Wanda Krueger, a postal inspector in St. Paul.

Zupanc and "60 Minutes" suggested a relatively simple solution — require anyone submitting a change-of-address form to show up in person and present a picture identification card.

Sandra Harding, spokeswoman for the Postal Service, said, "We are looking at several alternative solutions" to address the problem. But she would not reveal what alternatives are under consideration.

The Postal Service already sends verification letters to a mail customer's old address each time a change of address is ordered. But Harding admitted that the existing verification system can be defeated by thieves.

Griffo said the most sophisticated thieves can forge identity cards.

Zupanc also told "60 Minutes" that postal inspectors told her they knew the Brooklyn mailbox was a fraudulent operation.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS : CRIMINAL TERM

-----X
THE PEOPLE OF THE STATE OF NEW YORK

-against-

OLUSHINA GODWIN ADEKANBI
a/k/a "SHINA", a/k/a "GODY"
PRINCE DELE OSIBOTE
ROTIMI OGUNNUSI
a/k/a "ROY"
MICHAEL ATAMOLOGUN
a/k/a MIKE ODEKU

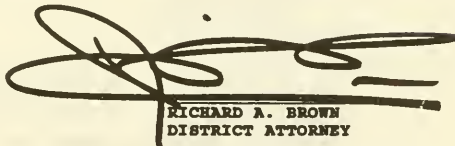
ENTERPRISE CORRUPTION
SPECIAL INFORMATION
C.P.L. 200.65

INDICTMENT NO.: 4355/95

Defendant(s).
-----X

The District Attorney of the County of Queens by this Special Information attests that he has reviewed the substance of the evidence presented to the Grand Jury in the above-entitled matter and concurs in the judgment that the charge of Enterprise Corruption in violation of Penal Law Article 460 is consistent with the Legislative findings contained in said Article.

Dated: Kew Gardens, New York
January 31, 1996



RICHARD A. BROWN
DISTRICT ATTORNEY

EIGHTH ADDITIONAL GRAND JURY

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS : CRIMINAL TERM

-----X
THE PEOPLE OF THE STATE OF NEW YORK

-against-

OLUSHINA GODWIN ADEKANBI
a/k/a "SHINA", a/k/a "GODY"
PRINCE DELE OSIBOTE
ROTIMI OGUNNUSI
a/k/a "ROY"
MICHAEL ATAMOLOGUN
a/k/a MIKE ODEKU
SAMUEL ADEWALE
MARY OYETUGA
OLANREWAJU ADEYEMI
a/k/a FLORENCE JAMERSON
AKINDELE OSHODI
a/k/a "NIYI"

FILED:
INDICTMENT NO.:4355/95
SUPERCEDES NO.:4203/95

Defendant(s).
-----X

PL 460.20(1)(a)	ENTERPRISE CORRUPTION (1)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL
PL 105.05	CONSPIRACY FIFTH DEGREE (2)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU OSHODI, AKINDELE
PL 190.65(1)(a)	SCHEME TO DEFRAUD IN THE FIRST DEGREE (3)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU OSHODI, AKINDELE

PL 155.40(1)	GRAND LARCENY IN THE SECOND DEGREE (4-8)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 155.35	GRAND LARCENY IN THE THIRD DEGREE (9-34)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 155.30(1)	GRAND LARCENY IN THE FOURTH DEGREE (35-45)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 155.25	PETIT LARCENY (46-49)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 170.40	CRIMINAL POSSESSION OF FORGERY DEVICES (50-52)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 170.25	CRIMINAL POSSESSION OF FORGED INSTRUMENT IN THE SECOND DEGREE (53-117)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU

PL 165.52	CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE SECOND DEGREE (118)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 165.45(2)	CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE (119-191)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 165.40	CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE (192)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY OSHODI, AKINDELE ADEYEMI, OLANREWAJU
PL 165.40	CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE (193-196)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU
PL 156.35	CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL (197-200)	ADEKANBI, OLUSHINA GODWIN OSIBOTE, PRINCE DELE OGUNNUSI, ROTIMI ATAMOLOGUN, MICHAEL ADEWALE, SAMUEL OYETUGA, MARY ADEYEMI, OLANREWAJU

A TRUE BILL

 FOREMAN

DISTRICT ATTORNEY

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS : CRIMINAL TERM

-----X
THE PEOPLE OF THE STATE OF NEW YORK

-against-

OLUSHINA GODWIN ADEKANBI
a/k/a "SHINA", a/k/a "GODY"
PRINCE DELE OSIBOTE
ROTIMI OGUNNUSI
a/k/a "ROY"
MICHAEL ATAMOLOGUN
a/k/a MIKE ODEKU
SAMUEL ADEWALE
MARY OYETUGA
OLANREWAJU ADEYEMI
a/k/a FLORENCE JAMERSON
AKINDELE OSHODI
a/k/a "NIYI"

FILED:
INDICTMENT NO.:4355/95
SUPERSEDES NO.:4203/95

Defendant(s).
-----X

FIRST COUNT

ENTERPRISE CORRUPTION

THE GRAND JURY OF THE COUNTY OF QUEENS, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, a/k/a "SHINA", a/k/a "GODY", PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, a/k/a "ROY", MICHAEL ATAMOLOGUN, a/k/a MIKE ODEKU, of the crime of **ENTERPRISE CORRUPTION**, in violation of Penal Law Section 460.20(1)(a), committed in the County of Queens and elsewhere, as follows

The defendants, OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, and MICHAEL ATAMOLOGUN, from on or about October 1, 1994 to on or about September 10, 1995, having knowledge of the existence of a criminal enterprise, and the nature of its activities, and being employed by or associated with that criminal enterprise, intentionally conducted and participated in the affairs of the enterprise by participating in a pattern of criminal activity, as follows:

THE CRIMINAL ENTERPRISE

At all times relevant to Count One:

(1) The defendants, OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, along with other persons known and unknown, were members of or associated with an enterprise in which they shared a common purpose of engaging in criminal conduct, and were associated in a structure that was distinct from the pattern of criminal activity and that had a continuity of existence, structure and criminal purpose beyond the scope of individual criminal incidents.

(2) The above-named defendants were members of a group of persons which operated an unlawful credit card operation in Queens and Kings Counties. This group of persons, hereinafter referred to as the "Shina Credit Card Fraud Group", constituted a "criminal enterprise" as that term is defined in Penal Law Section 460.10(3).

(3) The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, were members of the Shina Credit Card Fraud Group.

(4) There were other members of the Shina Credit Card Fraud Group not named herein as defendants, who were employed by and associated with it. Some of these included OLANREWAJU ADEYEMI, a/k/a FLORENCE JAMERSON, SAMUEL ADEWALE, AKINDELE OSHODI, a/k/a "NIYI" and MARY OYETUGA, defendant ADEKANBI's wife, ADEBAYO ODESANYA, OYEWALE ADEMOLA OLATUNJI, and OLALANRE ANIMASHAUN, a/k/a "LARRY".

PURPOSE AND STRUCTURE OF THE CRIMINAL ENTERPRISE

(5) It was the common purpose of the members and associates of the Shina Credit Card Fraud Group to engage in criminal conduct and to acquire money, goods, and services illegally through the acquisition, possession, manufacture, distribution and use of stolen and counterfeit credit cards.

(6) The Criminal Enterprise, known as the Shina Credit Card Fraud Group, consisted of at least twenty (20) individuals operating at three or more levels, hereinafter referred to as "principals", "managers" and "soldiers". The principals were OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, and others. The principals controlled the Shina Credit Card Fraud Group, received the cash proceeds and goods and services of the enterprise from the managers and soldiers, and gave instructions to said managers and soldiers. The principals also manufactured, distributed, sold or used counterfeit credit cards and distributed, sold or used stolen credit cards. Managers obtained cash advances or goods for the principals and for themselves using stolen or counterfeit credit cards provided to them by the principals. Managers also recruited and compensated soldiers to assist them in obtaining said cash advances or goods. Managers acted as middlemen for soldiers wishing to purchase stolen or counterfeit credit cards from the principals. Managers also located individuals known as "customers" wishing to purchase stolen or counterfeit credit cards and steered said sales to the principals or acted as middlemen for the principals. Soldiers assisted managers in obtaining the aforementioned cash advances and goods by use of stolen or counterfeit credit cards by serving as drivers or lookouts or conducting the cash advance or goods transactions at the directions of the managers. Soldiers also provided raw materials to the managers and principals such as stolen invoices, bearing credit card access numbers, or false identification, such as drivers' licenses, to enable other members of the enterprise to use the stolen or counterfeit credit cards successfully and without detection.

(7) The credit card operation was conducted by the Shina Credit Card Fraud Group as follows:

i). The principals would buy stolen invoices, stolen computer data, stolen bank documents or other credit information obtained by use of illegal or unauthorized means from soldiers. The principals would use said documents to obtain credit card information of legitimate cardholders without their knowledge or permission and manufacture counterfeit credit cards using said information. The principals would also change PIN numbers on existing accounts of said cardholders in order to manufacture counterfeit credit cards and obtain cash advances at ATMs. The principals would

also divert the mail of said cardholders to commercial mail boxes rented by said principals by filing forged U.S. Post Office change of address cards in the name of said cardholders or sending forged change of address requests to the credit card companies of said cardholders, thereby obtaining additional credit and pedigree information relevant to said cardholders, and credit cards, convenience checks, checks and other financial matter sent to said cardholders.

ii). The principals would buy credit cards stolen by soldiers from the U.S. mail. Typically, credit card institutions would mail out batches of credit cards destined for cardholders living in a particular region of the United States. Said batch or a substantial portion thereof would be stolen from the U.S. mail at airports or other points of shipment. The stolen credit cards, still in the original envelopes and mailing sleeves, would then be sold to a principal. The principal would then sell or distribute said cards to members of the Shina Credit Card Fraud Group.

iii). The principals possessed machinery which produced counterfeit credit cards or which altered stolen credit cards thereby making them counterfeit by re-embossing or re-encoding them. The principals possessed information necessary to encode and re-encode the magnetic stripes on said credit cards.

iv). The principals used stolen credit cards to obtain cash advances, goods and services, which would be billed to the legitimate cardholder and ultimately resulted in economic loss to the credit card company or institution. The principals also used stolen credit cards as identification to obtain services for themselves using the name of the legitimate cardholder such as cellular telephone service.

v). The principals used counterfeit credit cards to obtain cash advances, goods and services, which would be billed to the legitimate cardholders whose credit card access numbers were encoded or embossed on said counterfeit credit cards and ultimately resulted in economic loss to the credit card company or institution.

vi). The principals sold stolen credit cards to managers and soldiers and customers of the enterprise for their own personal use, the price being a percentage of the credit

card's credit limit. The principals also distributed stolen credit cards to managers and soldiers in order for said members to "shop" the cards, obtaining cash advances and goods for said principals in exchange for a percentage of the economic gain. In all instances, the charges made with said stolen cards would be billed to the legitimate cardholders and ultimately resulted in economic loss to the credit card company or institution.

vi). The principals manufactured counterfeit credit cards and sold said cards to managers and soldiers for their own personal use, the price being a flat rate which varied if the purchaser supplied a credit card access number or if said number had to be provided by a principal or manager. The principals also manufactured and sold said counterfeit cards to customers by taking the order and payment from managers and giving the completed counterfeit credit card to the manager for distribution to the customer. The principals also distributed counterfeit credit cards to managers and soldiers in order for said members to "shop" the cards, obtaining cash advances and goods for said principals in exchange for a percentage of the economic gain. In all instances, the charges made with said counterfeit cards would be billed to the legitimate cardholders whose credit card access numbers were embossed or encoded on said counterfeit credit cards and ultimately resulted in economic loss to the credit card company or institution.

(8) Defendant OLUSHINA GODWIN ADEKANBI, a/k/a "SHINA", a/k/a "GODY" was the lead principal in charge of the Shina Credit Card Fraud Group, and as such, controlled all of the functions of the Shina Credit Card Fraud Group. Together with defendant PRINCE DELE OSIBOTE, he conducted the day-to-day business of the Shina Credit Card Fraud Group's credit card operation, keeping books and records reflecting such business, controlling the flow and distribution of stolen and counterfeit credit cards and reviewing transactions done by managers and soldiers, and receiving the proceeds therefrom.

(9) Defendant PRINCE DELE OSIBOTE was the next lead principal, second in command, controlling all of the functions of said Shina Credit Card Fraud Group with OLUSHINA GODWIN ADEKANBI. He also directed all managers and soldiers when defendant OLUSHINA GODWIN ADEKANBI was out of town furthering the business of the enterprise or was otherwise unavailable.

(10) Defendant ROTIMI OGUNNUSI, a/k/a "ROY", was a principal of the Shina Credit Card Fraud Group who directed managers and soldiers to obtain cash transactions or goods for the enterprise. His functions also related to the technical area of the enterprise such as printing and encoding counterfeit cards, as well as reviewing and working up stolen invoices in order to use the credit card access numbers contained on said invoices.

(11) Defendant MICHAEL ATAMOLOGUN, a/k/a MIKE ODEKU, was a manager of the Shina Credit Card Fraud Group engaged in cash transactions and purchases using stolen and counterfeit credit cards and who recruited, directed and compensated soldiers to engage in cash transactions or purchases using stolen or counterfeit credit cards. He also sold credit card access numbers to soldiers and customers and obtained counterfeit credit cards from the principals for those soldiers and customers bearing those access numbers

PATTERN OF CRIMINAL ACTIVITY

During the period of this offense, each of the defendants, with intent to participate in and advance the affairs of the criminal enterprise and pursuant to a common scheme and plan, engaged in conduct constituting or was criminally liable for the following criminal acts included within an established pattern of criminal activity

PATTERN ACT ONE

The defendants, and SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI, AKINDELE OSHODI and others known and unknown to the Grand Jury, committed the crime of CONSPIRACY IN THE FIFTH DEGREE in violation of Penal Law §105.05(1), in that from on or about October 1, 1994 to on or about September 10, 1995, in the County of Queens and elsewhere, with intent that conduct constituting a felony, to wit: Scheme to Defraud in the First Degree, be performed, agreed with one or more persons to engage in or cause the performance of such conduct.

It was a purpose of this conspiracy to acquire money, goods and services through the operation of an unlawful enterprise which acquired, possessed, manufactured, distributed and used stolen and counterfeit credit cards. At all times relevant to this indictment, defendant OLUSHINA GODWIN ADEKANBI,

supervised this credit card enterprise, which consisted of a location in Queens and other locations.

As part of this conspiracy, defendant PRINCE DELE OSIBOTE worked as the second in command in the credit card enterprise, thereby supervising the operation of the enterprise and meeting with or speaking regularly with defendant OLUSHINA GODWIN ADEKANBI.

As part of this conspiracy, defendant ROTIMI OGUNNUSI acted as a principal in the credit card enterprise, meeting regularly with defendants OLUSHINA GODWIN ADEKANBI and PRINCE DELE OSIBOTE.

As part of this conspiracy, defendant MICHAEL ATAMOLOGUN acted as a manager of the credit card enterprise obtaining cash advances and goods for defendants OLUSHINA GODWIN ADEKANBI and PRINCE DELE OSIBOTE and recruiting others to obtain cash advances and goods for himself and for said defendants using stolen and counterfeit credit cards. Defendant MICHAEL ATAMOLOGUN also brokered sales of counterfeit credit cards manufactured by defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE or ROTIMI OGUNNUSI to other members and customers of the enterprise.

As part of this conspiracy, OLANREWAJU ADEYEMI, SAMUEL ADEWALE and MARY OYETUGA and others used stolen or counterfeit credit cards and false identification to obtain cash advances and goods for the credit card enterprise and themselves.

As part of this conspiracy, AKINDELE OSHODI provided store invoices belonging to Fretter, an appliance store chain located in Massachusetts, and which invoices contained credit card access numbers of customers of Fretter, to OLUSHINA GODWIN ADEKANBI and others working in the above mentioned credit card enterprise.

OVERT ACTS

In furtherance of the conspiracy and to effect the objects thereof, and during the course thereof, the following overt acts, among others, were committed:

(1) On or about August 1, 1995, Apartment 9M at 164-20 Highland Avenue, Jamaica, Queens, New York was rented in the name of "Rhonda Freeman".

(2) On or about September 10, 1995, in the County of Queens, the defendants, acting

in concert with each other and others, possessed in excess of five hundred credit card access numbers assigned to individuals other than the defendants and others acting in concert with them.

(3) On or about September 10, 1995 in the County of Queens, the defendants, acting in concert with each other and others, possessed in excess of fifty stolen credit cards.

(4) On or about September 10, 1995 in the County of Queens, the defendants, acting in concert with each other and others, possessed in excess of fifty counterfeit credit cards.

(5) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed in excess of 500 store invoices of Fretter, an appliance store chain located in Massachusetts.

(6) On or about and between July 21, 1994 and July 1, 1995, in the County of Kings and the State of Massachusetts and elsewhere, AKINDELE OSHODI possessed store invoices of Fretter.

(7) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed in excess of fifty store invoices of Budget Car and Truck Rental from Warwick, Rhode Island.

(8) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed twenty invoices of WLF Automotive, a gasoline station in Evanston, Illinois.

(9) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable embossing machine.

(10) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable tipping machine.

(11) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable encoding machine.

(12) On or about September 10, 1995 in Jamaica Queens, the defendants, acting in concert with each other and others, possessed Universal Bank convenience checks in the name of "Jay Weaver".

(13) On or about September 10, 1995 in Jamaica, Queens, SAMUEL ADEWALE, acting in concert with others, possessed Budget Car and Truck Rental invoice #GONAA2414130.

(14) On or about and between September 8, 1995 and September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed Budget Car and Truck Rental invoice #PVDAA5702964.

(15) On or about September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed a Bank One VISA credit card in the name of "John Paul Barr".

(16) On or about September 10, 1995, in Jamaica, Queens, OLUSHINA GODWIN ADEKANBI, acting in concert with others, possessed an Arizona driver's license in the name of JOHN P. BARR".

(17) On or about September 10, 1995, in the County of Queens, the defendants, acting in concert with each other and others, possessed a computer printout with the names, addresses, phone numbers and social security numbers of nine individuals.

(18) On or about September 10, 1995, in Jamaica, Queens, MARY OYETUGA, acting in concert with others, possessed a "State of Massachusettes" [sic] identification card in the name "Mary Olesanya".

(19) On or about September 10, 1995, in Jamaica, Queens, MARY OYETUGA, acting in concert with others, possessed a J.C. Penny credit card in the name of "Linda Moore".

(20) On or about September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed a list of equipment which can be used to manufacture credit cards.

(21) On or about July 30, 1995 and September 10, 1995, in the County of Queens and elsewhere, the defendants, acting in concert with each other and others, possessed a cellular telephone encoded with AT&T Wireless mobile identification number 917-853-3645.

(22) On or about August 27, 1995, in Jamaica, Queens, merchandise was purchased from Incredible Floors Corp. using a VISA credit card in the name of "Mark Dunlop".

(23) On or about September 10, 1995 in Jamaica, Queens, OLUSHINA GODWIN ADEKANBI, acting in concert with others, possessed a New Jersey driver's license in the name of "Daniel Yemkin".

(24) On or about June 13, 1995, OLUSHINA GODWIN ADEKANBI purchased a Sharp pocket organizer from Staples in New York, New York, using a VISA credit card in the name of "Daniel Yemkin".

(25) On or about September 9, 1995, OLANREWAJU ADEYEMI, a/k/a FLORENCE JAMERSON, acting in concert with others, purchased merchandise from Staples in Jamaica, Queens using a Diamond Prestige VISA credit card in the name of "Laura Winslow".

(26) On or about September 9, 1995, in the County of Queens and elsewhere, OLANREWAJU ADEYEMI, acting in concert with others, possessed a New York driver's license in the name of "Laura Winslow".

(27) On or about and between June 21, 1995 and September 10, 1995, in Jamaica, Queens and elsewhere, PRINCE DELE OSIBOTE possessed a Virginia driver's license in the name of "RICHARD RAMSEY".

(28) On or about June 21, 1995, commercial mail box #184 was rented at 207 E. Ohio, Chicago, Illinois in the name of "Richard Ramsey".

(29) On or about August 1, 1995, commercial mail box #128 was rented at 207 Church Avenue, Brooklyn, New York.

(30) On or about September 1, 1995, commercial mail box #148 was rented at 207 Church Avenue, Brooklyn, New York.

(31) On or about August 28, 1995, a change of address letter for the Integra Bank VISA credit card account of Terry Lee Hritz was faxed from Forest Hills, Queens to said credit card institution.

(32) On or about August 28, 1995, a U.S. Post Office change of address card for Daniel Hunnel was mailed from Queens, New York.

(33) On or about August 1, 1995, a U.S. Post Office change of address card for Bettye

Walden was mailed from Brooklyn, New York.

(34) On or about August 1, 1995, a U.S. Post Office change of address card for William Whitworth was mailed from Brooklyn, New York.

(35) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed Chemical Bank convenience checks in the name of "William J. Whitworth".

(36) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a Chemical Bank Mastercard credit card in the name of "Bettye W. Walden".

(37) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed store invoices of Fretter.

(38) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed what purported to be a VISA credit card of NBD Bancorp.

(39) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA ADEKANBI possessed a cloned cellular telephone.

(40) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a Wechovia VISA credit card in the name of "Luther Howard".

(41) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a Nationsbank VISA credit card in the name of "Luther Howard".

(42) On or about October 25, 1994 in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a New Jersey driver's license in the name of "Luther Howard".

(43) On or about May 11, 1995, in the County of Kings and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a counterfeit VISA credit card in the name of "Emanuel Jones".

(44) On or about May 11, 1995, in Fort Lee, New Jersey, OLUSHINA GODWIN ADEKANBI, acting in concert with another, attempted to obtain a cash advance in the amount of \$2000.00 from Natwest Bank using a counterfeit VISA credit card in the name of "Emanuel Jones".

(45) On or about and between June 30, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a New Jersey driver's license in the name of "Mark D Morris".

(46) On or about June 30, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Mark D. Morris".

(47) On or about and between July 15, 1995 and August 11, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a New York driver's license in the name of "David Sherman".

(48) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "David Sherman".

(49) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Joseph Ward".

(50) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Stanley Johnson".

(51) On or about June 30, 1995, in Branford, Connecticut, MICHAEL ATAMOLOGUN, obtained a cash advance in the amount of \$2525.00 from Branford Savings Bank, using a VISA credit card in the name of "Stanley Johnson".

(52) On or about July 11, 1995, in Guilford, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$2800.00 from the New Haven Savings Bank using a VISA card in the name of "Mark D. Morris".

(53) On or about July 15, 1995 in Niantic, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$3000.00 from Chelsea Groton Savings Bank using a VISA

credit card in the name of "David Sherman".

(54) On or about July 18, 1995, in Old Lyme, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$3000.00 from the Maritime Bank and Trust in Niantic, Connecticut, using a VISA credit card in the name of "Stanley Johnson".

(55) On or about July 19, 1995, in Waterford, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$2900.00 from Citizens Bank using a VISA Credit Card in the name of "Joseph Ward".

PATTERN ACT TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, acting in concert with each other and others, committed the crime of SCHEME TO DEFRAUD IN THE FIRST DEGREE in violation of Penal Law Section 190.65 (1)(a) in that on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, they engaged in a scheme constituting a systematic ongoing course of conduct with intent to defraud ten or more persons or to obtain property from ten or more persons by false or fraudulent pretenses, representations or promises, and so obtained property, to wit: United States Currency, from at least one such person whose identity is known to the Grand Jury.

PATTERN ACT THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF FORGERY DEVICES in violation of Penal Law Section 170.40 in that on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, they possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

PATTERN ACT FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF

FORGERY DEVICES in violation of Penal Law Section 170.40 in that on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, they possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

PATTERN ACT FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF FORGERY DEVICES in violation of Penal Law Section 170.40 in that on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, they possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

PATTERN ACT SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 21, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office,

public servant or governmental instrumentality.

PATTERN ACT EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT TEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT ELEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT TWELVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT THIRTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT FOURTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION

OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT FIFTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SEVENTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A

FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT EIGHTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT NINETEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation and status, to wit: a credit card.

PATTERN ACT TWENTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may

evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT TWENTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 19, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between March 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or

possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between March 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between July 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, they,

with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or

about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT THIRTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A

FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between November 24, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between June 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between March 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FORTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between July 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may

evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit:
a credit card.

PATTERN ACT FIFTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or

possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between September 5, 1995 and September 10, 1995, in the County of Queens and elsewhere,

they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between July 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT FIFTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between December 19, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or

about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A

FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between July 15, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between November 3, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT SIXTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 7, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between August 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between August 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 7, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner

thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and

between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 26, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT SEVENTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with

intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT EIGHTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between April 4, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between May 17, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent

to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT NINETY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN

PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 2, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between March 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 6, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent

to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-TEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-ELEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-TWELVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-THIRTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN

PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-FOURTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-FIFTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-SIXTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 31, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-SEVENTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-EIGHTEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED-NINETEEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 4, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent

to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN

PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between September 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 12, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED TWENTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 17, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between February 17, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an

owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery, by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between May 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and

between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between August 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED THIRTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between July 15, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE THIRTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI,

acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between April 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED FORTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED FORTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about and between June 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

PATTERN ACT ONE HUNDRED FORTY-TWO

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40, in that on or about September 10, 1995, in the County of Queens, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Fretter invoices.

PATTERN ACT ONE HUNDRED FORTY-THREE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40, in that on or about September 10, 1995, in the County of Queens, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Budget Car and Truck Rental invoices.

PATTERN ACT ONE HUNDRED FORTY-FOUR

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40, in that on or about September 10, 1995, in the County of Queens, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: WLF Automotive invoices.

PATTERN ACT ONE HUNDRED FORTY-FIVE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40, in that on or about September 10, 1995, in the County of Queens, they, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Chemical convenience checks.

PATTERN ACT ONE HUNDRED FORTY-SIX

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40, in that on or about September 10, 1995, in the County of Queens, they, with intent to benefit themselves or a person other

than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Universal Bank convenience checks.

PATTERN ACT ONE HUNDRED FORTY-SEVEN

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35, in that on or about September 10, 1995, in the County of Queens, they, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED FORTY-EIGHT

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35, in that on or about September 10, 1995, in the County of Queens, they, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED FORTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35, in that on or about September 10, 1995, in the County of Queens, they, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied,

reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED FIFTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35, in that on or about September 10, 1995, in the County of Queens, they, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED FIFTY-ONE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-TWO

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-THREE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-FOUR

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-FIVE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-SIX

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to

wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NBD VISA Bancard.

PATTERN ACT ONE HUNDRED FIFTY-SEVEN

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a NationsBank VISA.

PATTERN ACT ONE HUNDRED FIFTY-EIGHT

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a Tuscon Federal Credit Union VISA.

PATTERN ACT ONE HUNDRED FIFTY-NINE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with intent to benefit himself or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Wachovia VISA Bank Card.

PATTERN ACT ONE HUNDRED SIXTY

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with intent to benefit himself or

a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: AT&T Mastercard.

PATTERN ACT ONE HUNDRED SIXTY-ONE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE in violation of Penal Law Section 165.45(2) in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with intent to benefit himself or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: American Express Optima Card.

PATTERN ACT ONE HUNDRED SIXTY-TWO

The defendant OLUSHINA GODWIN ADEKANBI, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FIFTH DEGREE in violation of Penal Law Section 165.40 in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, with intent to benefit himself or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Fretter invoices.

PATTERN ACT ONE HUNDRED SIXTY-THREE

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1995, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT ONE HUNDRED SIXTY-FOUR

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25, in that on or about October 25, 1995, in the County of Nassau and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to

wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT ONE HUNDRED SIXTY-FIVE

The defendant OLUSHINA GODWIN ADEKANBI, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35, in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED SIXTY-SIX

The defendant OLUSHINA GODWIN ADEKANBI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL in violation of Penal Law Section 156.35 in that on or about October 25, 1994, in the County of Nassau and elsewhere, he, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit himself, or a person other than an owner thereof.

PATTERN ACT ONE HUNDRED SIXTY-SEVEN

The defendant OLUSHINA GODWIN ADEKANBI, committed the crime of PETIT LARCENY in violation of Penal Law Section 155.25, in that on or about June 13, 1995, in the County of New York and elsewhere, he stole property.

PATTERN ACT ONE HUNDRED SIXTY-EIGHT

The defendant OLUSHINA GODWIN ADEKANBI, and PRINCE DELE OSIBOTE, acting in concert with each other and others, committed the crime of ATTEMPTED PETIT LARCENY in violation of Penal Law

Sections 110.00/155.25, in that on or about and between September 1, 1995 and September 9, 1995, in the County of Queens and elsewhere, they attempted to steal property.

PATTERN ACT ONE HUNDRED SIXTY-NINE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25 in that on or about and between September 8, 1994 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument.

PATTERN ACT ONE HUNDRED SEVENTY

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25 in that on or about and between August 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument.

PATTERN ACT ONE HUNDRED SEVENTY-ONE

The defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, acting in concert with each other and others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE in violation of Penal Law Section 155.30(1) in that on or about and between July 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, they, stole property whose value exceeded one thousand dollars

PATTERN ACT ONE HUNDRED SEVENTY-TWO

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal

Law Section 170.25 in that on or about July 11, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT ONE HUNDRED SEVENTY-THREE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law Section 170.25 in that on or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

PATTERN ACT ONE HUNDRED SEVENTY-FOUR

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law 170.25 in that on or about June 30, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT ONE HUNDRED SEVENTY-FIVE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Penal Law 170.25 in that on or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status,

to wit: a credit card.

PATTERN ACT ONE HUNDRED SEVENTY-SIX

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Pelan Law 170.25 in that on or about and between June 30, 1995 and July 19, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT ONE HUNDRED SEVENTY-SEVEN

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE in violation of Pelan Law 170.25 in that on or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, he, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

PATTERN ACT ONE HUNDRED SEVENTY-EIGHT

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about June 30, 1995, in the County of the Kings and in Branford, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED SEVENTY-NINE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or

about July 11, 1995, in the County of the Kings and in Guilford, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about July 15, 1995, in the County of the Kings and in Niantic, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY-ONE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about July 18, 1995, in the County of the Kings and in Old Lyme, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY-TWO

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about July 19, 1995, in the County of the Kings and in Waterford, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY-THREE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about July 19, 1995, in the County of the Kings and in Waterford, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY-FOUR

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or

about July 19, 1995, in the County of the Kings and in Groton, Connecticut, he stole property whose value exceeded one thousand dollars.

PATTERN ACT ONE HUNDRED EIGHTY-FIVE

The defendant MICHAEL ATAMOLOGUN, acting in concert with others, committed the crime of GRAND LARCENY IN THE FOURTH DEGREE, in violation of Penal Law Section 155.30(1), in that on or about July 25, 1995, in the County of the Kings and in Mystic, Connecticut, he stole property whose value exceeded one thousand dollars.

SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI, ADINDELE OSHODI of the crime of CONSPIRACY IN THE FIFTH DEGREE committed as follows:

The defendants, and others known and unknown to the Grand Jury, from on or about October 1, 1994 to on or about September 10, 1995, in the County of Queens and elsewhere, with intent that conduct constituting a felony, to wit: Scheme to Defraud in the First Degree, be performed, agreed with one or more persons to engage in or cause the performance of such conduct.

It was a purpose of this conspiracy to acquire money, goods and services through the operation of an unlawful enterprise which acquired, possessed, manufactured, distributed and used stolen and counterfeit credit cards. At all times relevant to this indictment, defendant OLUSHINA GODWIN ADEKANBI, supervised this credit card enterprise, which consisted of a location in Queens and other locations.

As part of this conspiracy, defendant PRINCE DELE OSIBOTE worked as the second in command in the credit card enterprise, thereby supervising the operation of the enterprise and meeting with or speaking regularly with defendant OLUSHINA GODWIN ADEKANBI.

As part of this conspiracy, defendant ROTIMI OGUNNUSI acted as a principal in the credit card

enterprise, meeting regularly with defendants OLUSHINA GODWIN ADEKANBI and PRINCE DELE OSIBOTE.

As part of this conspiracy, defendant MICHAEL ATAMOLOGUN acted as a manager of the credit card enterprise obtaining cash advances and goods for defendants OLUSHINA GODWIN ADEKANBI and PRINCE DELE OSIBOTE and recruiting others to obtain cash advances and goods for himself and for said defendants using stolen and counterfeit credit cards. Defendant MICHAEL ATAMOLOGUN also brokered sales of counterfeit credit cards manufactured by defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE or ROTIMI OGUNNUSI to other members and customers of the enterprise.

As part of this conspiracy, OLANREWAJU ADEYEMI, SAMUEL ADEWALE and MARY OYETUGA and others used stolen or counterfeit credit cards and false identification to obtain cash advances and goods for the credit card enterprise and themselves.

As part of this conspiracy, AKINDELE OSHODI provided store invoices belonging to Fretter, an appliance store chain located in Massachusetts, and which invoices contained credit card access numbers of customers of Fretter, to OLUSHINA GODWIN ADEKANBI and others working in the above mentioned credit card enterprise.

OVERT ACTS

In furtherance of the conspiracy and to effect the objects thereof, and during the course thereof, the following overt acts, among others, were committed:

- (1) On or about August 1, 1995, Apartment 9M at 164-20 Highland Avenue, Jamaica, Queens, New York was rented in the name of "Rhonda Freeman".
- (2) On or about September 10, 1995, in the County of Queens, the defendants, acting in concert with each other and others, possessed in excess of five hundred credit card access numbers assigned to individuals other than the defendants and others acting in concert with them.
- (3) On or about September 10, 1995 in the County of Queens, the defendants, acting in concert with each other and others, possessed in excess of fifty stolen credit cards.
- (4) On or about September 10, 1995 in the County of Queens, the defendants, acting

in concert with each other and others, possessed in excess of fifty counterfeit credit cards.

(5) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed in excess of 500 store invoices of Fretter, an appliance store chain located in Massachusetts.

(6) On or about and between July 21, 1994 and July 1, 1995, in the County of Kings and the State of Massachusetts and elsewhere, AKINDELE OSHODI possessed store invoices of Fretter.

(7) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed in excess of fifty store invoices of Budget Car and Truck Rental from Warwick, Rhode Island.

(8) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed twenty invoices of WLF Automotive, a gasoline station in Evanston, Illinois.

(9) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable embossing machine.

(10) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable tipping machine.

(11) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a portable encoding machine.

(12) On or about September 10, 1995 in Jamaica Queens, the defendants, acting in concert with each other and others, possessed Universal Bank convenience checks in the name of "Jay Weaver".

(13) On or about September 10, 1995 in Jamaica, Queens, SAMUEL ADEWALE, acting in concert with others, possessed Budget Car and Truck Rental invoice #GONAA2414130.

(14) On or about and between September 8, 1995 and September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed Budget Car and Truck Rental invoice #PVDAA5702964.

(15) On or about September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed a Bank One VISA credit card in the name of "John Paul Barr".

(16) On or about September 10, 1995, in Jamaica, Queens, OLUSHINA GODWIN ADEKANBI, acting in concert with others, possessed an Arizona driver's license in the name of JOHN P. BARR".

(17) On or about September 10, 1995, in the County of Queens, the defendants, acting in concert with each other and others, possessed a computer printout with the names, addresses, phone numbers and social security numbers of nine individuals.

(18) On or about September 10, 1995, in Jamaica, Queens, MARY OYETUGA, acting in concert with others, possessed a "State of Massachusettes" [sic] identification card in the name "Mary Olesanya".

(19) On or about September 10, 1995, in Jamaica, Queens, MARY OYETUGA, acting in concert with others, possessed a J.C. Penny credit card in the name of "Linda Moore".

(20) On or about September 10, 1995, in Jamaica, Queens, ROTIMI OGUNNUSI, acting in concert with others, possessed a list of equipment which can be used to manufacture credit cards.

(21) On or about July 30, 1995 and September 10, 1995, in the County of Queens and elsewhere, the defendants, acting in concert with each other and others, possessed a cellular telephone encoded with AT&T Wireless mobile identification number 917-853-3645.

(22) On or about August 27, 1995, in Jamaica, Queens, merchandise was purchased from Incredible Floors Corp. using a VISA credit card in the name of "Mark Dunlop".

(23) On or about September 10, 1995 in Jamaica, Queens, OLUSHINA GODWIN ADEKANBI, acting in concert with others, possessed a New Jersey driver's license in the name of "Daniel Yemkin".

(24) On or about June 13, 1995, OLUSHINA GODWIN ADEKANBI purchased a Sharp pocket organizer from Staples in New York, New York, using a VISA credit card in the name of "Daniel

Yemkin".

(25) On or about September 9, 1995, OLANREWAJU ADEYEMI, a/k/a FLORENCE JAMERSON, acting in concert with others, purchased merchandise from Staples in Jamaica, Queens using a Diamond Prestige VISA credit card in the name of "Laura Winslow".

(26) On or about September 9, 1995, in the County of Queens and elsewhere, OLANREWAJU ADEYEMI, acting in concert with others, possessed a New York driver's license in the name of "Laura Winslow".

(27) On or about and between June 21, 1995 and September 10, 1995, in Jamaica, Queens and elsewhere, PRINCE DELE OSIBOTE possessed a Virginia driver's license in the name of "RICHARD RAMSEY".

(28) On or about June 21, 1995, commercial mail box #184 was rented at 207 E. Ohio, Chicago, Illinois in the name of "Richard Ramsey".

(29) On or about August 1, 1995, commercial mail box #128 was rented at 207 Church Avenue, Brooklyn, New York.

(30) On or about September 1, 1995, commercial mail box #148 was rented at 207 Church Avenue, Brooklyn, New York.

(31) On or about August 28, 1995, a change of address letter for the Integra Bank VISA credit card account of Terry Lee Hritz was faxed from Forest Hills, Queens to said credit card institution.

(32) On or about August 28, 1995, a U.S. Post Office change of address card for Daniel Hunnel was mailed from Queens, New York.

(33) On or about August 1, 1995, a U.S. Post Office change of address card for Bettye Walden was mailed from Brooklyn, New York.

(34) On or about August 1, 1995, a U.S. Post Office change of address card for William Whitworth was mailed from Brooklyn, New York.

(35) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed Chemical Bank convenience checks in the name of "William

J. Whitworth".

(36) On or about September 10, 1995, in Jamaica, Queens, the defendants, acting in concert with each other and others, possessed a Chemical Bank Mastercard credit card in the name of "Bettye W. Walden".

(37) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed store invoices of Fretter.

(38) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed what purported to be a VISA credit card of NBD Bancorp.

(39) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA ADEKANBI possessed a cloned cellular telephone.

(40) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a Wachovia VISA credit card in the name of "Luther Howard".

(41) On or about October 25, 1994, in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a Nationsbank VISA credit card in the name of "Luther Howard".

(42) On or about October 25, 1994 in the County of Nassau and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a New Jersey driver's license in the name of "Luther Howard".

(43) On or about May 11, 1995, in the County of Kings and elsewhere, OLUSHINA GODWIN ADEKANBI possessed a counterfeit VISA credit card in the name of "Emanuel Jones".

(44) On or about May 11, 1995, in Fort Lee, New Jersey, OLUSHINA GODWIN ADEKANBI, acting in concert with another, attempted to obtain a cash advance in the amount of \$2000.00 from Natwest Bank using a counterfeit VISA credit card in the name of "Emanuel Jones".

(45) On or about and between June 30, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a New Jersey driver's license in the name of "Mark D Morris".

(46) On or about June 30, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Mark D.

Morris".

(47) On or about and between July 15, 1995 and August 11, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a New York driver's license in the name of "David Sherman".

(48) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "David Sherman".

(49) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Joseph Ward".

(50) On or about and between July 15, 1995 and July 19, 1995, in the County of Kings and elsewhere, MICHAEL ATAMOLOGUN, acting in concert with others, possessed a VISA credit card in the name of "Stanley Johnson".

(51) On or about June 30, 1995, in Branford, Connecticut, MICHAEL ATAMOLOGUN, obtained a cash advance in the amount of \$2525.00 from Branford Savings Bank, using a VISA credit card in the name of "Stanley Johnson".

(52) On or about July 11, 1995, in Guilford, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$2800.00 from the New Haven Savings Bank using a VISA card in the name of "Mark D. Morris".

(53) On or about July 15, 1995 in Niantic, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$3000.00 from Chelsea Groton Savings Bank using a VISA credit card in the name of "David Sherman".

(54) On or about July 18, 1995, in Old Lyme, Connecticut, MICHAEL ATAMOLOGUN obtained a cash advance in the amount of \$3000.00 from the Maritime Bank and Trust in Niantic, Connecticut, using a VISA credit card in the name of "Stanley Johnson".

(55) On or about July 19, 1995, in Waterford, Connecticut, MICHAEL ATAMOLOGUN

obtained a cash advance in the amount of \$2900.00 from Citizens Bank using a VISA Credit Card in the name of "Joseph Ward".

THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI, AKINDELE OSHODI of the crime of SCHEME TO DEFRAUD IN THE FIRST DEGREE committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, engaged in a scheme constituting a systematic ongoing course of conduct with intent to defraud ten or more persons or to obtain property from ten or more persons by false or fraudulent pretenses, representations or promises, and so obtained property, to wit: United States Currency, from at least one such person whose identity is known to the Grand Jury.

FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded fifty thousand dollars.

FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value fifty exceeded fifty thousand dollars.

SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded fifty thousand dollars.

SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded fifty thousand dollars.

EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded fifty thousand dollars.

NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

ELEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value

exceeded three thousand dollars.

TWELFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

FOURTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

FIFTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

SIXTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

SEVENTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

EIGHTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

NINETEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value

exceeded three thousand dollars.

TWENTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars

TWENTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

TWENTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE THIRD DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded three thousand dollars.

THIRTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

THIRTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows.

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

THIRTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value

exceeded one thousand dollars.

THIRTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

THIRTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property whose value exceeded one thousand dollars.

FORTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of PETIT LARCENY, committed as follows:

The defendants, acting in concert with others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property.

FORTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of PETIT LARCENY, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property.

FORTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of PETIT LARCENY, committed as follows:

The defendants, acting in concert with each other and others on or about and between October 1, 1994 and September 10, 1994, in the County of Queens and elsewhere, stole property.

FORTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of PETIT LARCENY, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, stole property.

FIFTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF

FORGERY DEVICES, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

FIFTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF FORGERY DEVICES, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

FIFTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF FORGERY DEVICES, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, possessed with knowledge of its character any plate, die or other device, apparatus, equipment, or article specifically designed for use in to wit: counterfeiting credit cards.

FIFTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 21, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to

defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

FIFTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

SIXTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

SIXTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about September 10,

1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a written instrument officially issued or created by a public office, public servant or governmental instrumentality.

SIXTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate

or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SIXTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation and status, to wit: a credit card.

SEVENTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 19, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 19, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

SEVENTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between November 24, 1994 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

EIGHTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged

and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate

or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

NINETY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDREDTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was

forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between September 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between December 19, 1994 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate

or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-TENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 15, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-ELEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-TWELFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between November 3, 1994 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-THIRTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-FOURTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-FIFTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was

forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-SIXTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status.

ONE HUNDRED-SEVENTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF A FORGED INSTRUMENT IN THE SECOND DEGREE, committed as follows:

The defendants acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with knowledge that it was forged and with intent to defraud, deceive or injure another, uttered or possessed a forged instrument, to wit: a commercial instrument or other instrument which does or may evidence, create, transfer, terminate or otherwise affect a legal right, interest, obligation or status, to wit: a credit card.

ONE HUNDRED-EIGHTEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE SECOND DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property whose value exceeded fifty thousand dollars.

ONE HUNDRED-NINETEENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 7, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED-TWENTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA

GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 3, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 7, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 26, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED TWENTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly

possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves

or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February

14, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED THIRTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 14, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF

STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants acting in concert with each other and others, on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA

GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between April 4, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between May 17, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FORTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants acting in concert with each other and others, on or about and between June 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 2, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly

possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between March 22, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit

themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 6, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 28,

1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED FIFTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 13, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 31, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA

GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 27, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SIXTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 24, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 28, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between September 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly

possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 29, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 12, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves

or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED SEVENTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 17, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between February 17, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 25, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN

PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between May 23, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL

ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 5, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between July 15, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED EIGHTY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between April 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED NINETIETH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA

GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between November 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED NINETY-FIRST COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between June 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: a credit card or debit card.

ONE HUNDRED NINETY-SECOND COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI, AKINDELE OSHODI, of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FIFTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between October 1, 1994 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Fretter invoices.

ONE HUNDRED NINETY-THIRD COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI, of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FIFTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens, and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Budget Car and Truck Rental invoices.

ONE HUNDRED NINETY-FOURTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FIFTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: WLF Automotive invoices.

ONE HUNDRED NINETY-FIFTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of GRAND LARCENY IN THE FOURTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Chemical convenience checks.

ONE HUNDRED NINETY-SIXTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION STOLEN PROPERTY IN THE FIFTH DEGREE, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, with intent to benefit themselves or a person other than an owner thereof or to impede the recovery by an owner thereof, knowingly possessed stolen property, to wit: Universal Bank convenience checks.

ONE HUNDRED NINETY-SEVENTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995 in the County of Queens, and elsewhere, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit themselves, or a person other than an owner thereof.

ONE HUNDRED NINETY-EIGHTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August

1, 1995 and September 10, 1995, in the County of Queens and elsewhere, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit themselves, or a person other than an owner thereof.

ONE HUNDRED NINETY-NINTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit themselves, or a person other than an owner thereof.

TWO HUNDREDTH COUNT

The Grand Jury of the County of Queens, by this Indictment, accuses the defendants OLUSHINA GODWIN ADEKANBI, PRINCE DELE OSIBOTE, ROTIMI OGUNNUSI, MICHAEL ATAMOLOGUN, SAMUEL ADEWALE, MARY OYETUGA, OLANREWAJU ADEYEMI of the crime of CRIMINAL POSSESSION OF COMPUTER RELATED MATERIAL, committed as follows:

The defendants, acting in concert with each other and others, on or about and between August 1, 1995 and September 10, 1995, in the County of Queens and elsewhere, when having no right to do so, knowingly possessed, in any form, any copy, reproduction, or duplicate of any computer data or computer program, which was copied, reproduced, or duplicated in violation of Section 156.30 of this article, with an intent to commit, or attempt to commit, or further the commission of any felony, with intent to benefit

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